

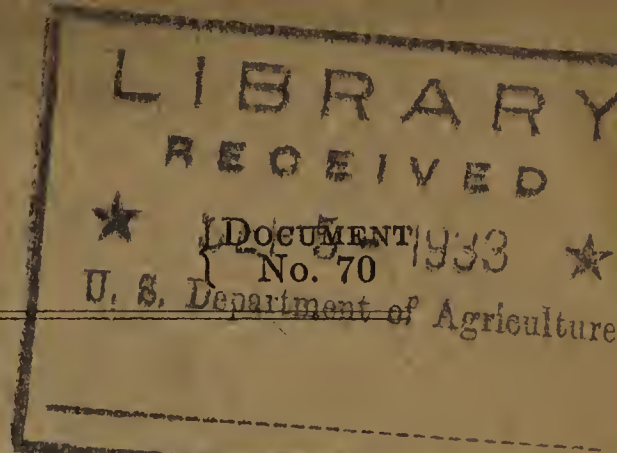
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SENATE



WORLD TRADE BARRIERS IN RELATION TO AMERICAN AGRICULTURE

LETTER

FROM

THE SECRETARY OF AGRICULTURE

TRANSMITTING

IN RESPONSE TO SENATE RESOLUTION No. 280, SEVENTY-SECOND CONGRESS, FIRST SESSION, SUBMITTED BY SENATOR NORBECK, A REPORT PERTAINING TO RESTRICTIONS UPON INTERNATIONAL TRADE IN MAJOR AGRICULTURAL PRODUCTS THROUGHOUT THE WORLD, MEASURES UNDERTAKEN IN SEVERAL COUNTRIES TO PROTECT THE POSITION OF THEIR FARM PRODUCERS, AND THE EFFECTS OF THESE RESTRICTIONS AND MEASURES UPON PRICES OF FARM PRODUCTS AND THE WELFARE OF AMERICAN FARMERS



JUNE 5 (calendar day, JUNE 7), 1933.—Referred to the
Committee on Agriculture and Forestry

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

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JUNE 5 (calendar day, JUNE 7), 1933.—Referred to the
Committee on Agriculture and Forestry

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

Submitted by Mr. SMITH

IN THE SENATE OF THE UNITED STATES,
June 5 (calendar day, June 10), 1933.

Ordered, That the report of the Secretary of Agriculture pertaining to restrictions upon international trade in major agricultural products, transmitted to the Senate on the 7th instant in response to Senate Resolution No. 280, Seventy-second Congress, be printed with illustrations as a Senate document.

Attest:

EDWIN A. HALSEY,
Secretary.

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LETTER OF TRANSMITTAL

DEPARTMENT OF AGRICULTURE,
Washington, June 7, 1933.

The PRESIDENT OF THE SENATE.

SIR: Pursuant to the request made in Senate Resolution 280, Seventy-second Congress, I am transmitting herewith a report, prepared by the Bureau of Agricultural Economics, pertaining to restrictions upon international trade in major agricultural products throughout the world, the measures taken by various countries in aid of agriculture, and the effect of these restrictions and measures upon American farmers.

This report shows the effect on American agriculture of trade barriers and other measures designed to aid farming in foreign countries. It also suggests that various other trade restrictions in their present extreme form, debt payments, and international lending in general have had a profound influence on our agriculture in the past decade and a half.

Almost overnight we changed from a debtor to a creditor nation. We entered the World War owing other nations \$200,000,000 annually on interest account. Today other nations owe us annually more than a billion dollars. Our failure in this period to adjust our trade policies in conformity with our new status as a creditor Nation has had particularly severe consequences to farmers in this country who produce our great export crops. We normally export more than half our cotton, nearly half our tobacco, a fifth of our wheat, and from a third to a half of our packing-house lard. Of all agricultural products, we have exported 18 percent, on the average, during the last 20 years, whereas of our nonagricultural products we have exported only 5 percent.

In making the necessary reductions in our tariffs, special attention should be given to the possibility of reducing industrial tariffs. These have had especially adverse effects on agriculture, not only because they have tended to keep prices of things farmers buy at a higher level than would have prevailed under more moderate tariffs, but also because they have made it increasingly difficult for other countries to buy our agricultural products. These tariffs, therefore, must be reduced if we are to assume the role which a creditor nation sooner or later must assume, and/or we must make radical readjustments in our internal economic structure looking toward contracted production of those products which we produce for export.

Industry has received more than its share of such benefits as have accrued from our tariff policy. Farming in this country has been severely affected in consequence of this inequality between agriculture and industry. Farm income and values have dropped to so low a level that, through impairment of farmers' purchasing power and of

security for loans, industrial and financial institutions in turn have suffered. Because of the demonstrated difficulty of adequately adjusting agricultural production to changed conditions, it is particularly desirable that special care should be exercised in the revision of our tariffs to avoid putting agriculture at a competitive disadvantage and thus adding to the inequality already suffered by farmers.

Reduction in excessive trade barriers presents some of the most difficult problems in international cooperation. Steps already taken or in contemplation are promising and essential to world economic recovery. Far-reaching adjustments, however, require time, not only because of the nature of international negotiations, but also because gradual adjustment may be desirable to mitigate the disruptive influence of sudden change.

Meanwhile, the rise of trade barriers described in this report has helped to create serious emergency problems in American agriculture. The object of recent legislation for agricultural adjustment is to deal with these emergencies, while policies are being formulated and put into effect for those long-time adjustments which must be made to regain advantageous market outlets for those agricultural products for which there is in this country a natural advantage and of which the United States produces an exportable surplus.

Sincerely yours,

H. A. WALLACE,
Secretary.

LETTER OF SUBMITTAL

DEPARTMENT OF AGRICULTURE,
BUREAU OF AGRICULTURAL ECONOMICS,
Washington, D.C., June 6, 1933.

The SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: The Senate of the United States, on July 11, 1932, adopted the following resolution (S. Res. 280, 72d Cong., 1st sess.):

Whereas information on international trade restrictions on farm products is needed for the proper consideration of measures for farm relief; and

Whereas information on such subjects is already being accumulated by Government agents: Now, therefore, be it

Resolved, That the Senate request the United States Department of Agriculture and the Federal Farm Board, jointly or severally, to investigate the restrictions which now exist upon international trade in major agricultural products throughout the world; the measures which are now being undertaken in several countries to protect the economic position of their farm producers; and the effect, if any, these restrictions and measures have had upon the prices of farm products and the welfare of American farmers; and to report to the Senate upon these matters by the next session of Congress: *Provided*, That the Department of Commerce and the United States Tariff Commission shall lend their assistance in the carrying out of said investigation.

A report complying with this resolution is herewith submitted. The subject covered by the resolution is broad and complex and this has necessitated extensive investigations by the resident staff as well as by the Foreign Agricultural Service of the Bureau.

The report was prepared by this Bureau. Helpful suggestions have been given by staff members of the Federal Farm Board, the Department of Commerce, and the United States Tariff Commission. It presents the conclusions of this Bureau. It seeks to explain the conditions that have restricted international trade in agricultural products or that have stimulated agricultural production. It also attempts to evaluate the effects that such measures have had upon the prices of farm products and the welfare of American farmers.

The report has been prepared by a special committee of the Bureau composed of the following staff members: L. R. Edminster, executive secretary, G. P. Boals, P. F. Brookens, G. Burmeister, A. C. Edwards, Eric Englund, W. G. Finn, C. W. Kitchen, M. Lynsky, L. Myers, L. J. Schaben, J. L. Stewart, O. C. Stine, G. B. Thorne, L. Volin, H. J. Wadleigh, N. J. Wall, L. A. Wheeler, E. J. Working.

Yours sincerely,

NILS A. OLSEN,
Chief of Bureau.

WORLD TRADE BARRIERS IN RELATION TO AMERICAN AGRICULTURE

SUMMARY

International trade, including that in agricultural products, is under the influence of more widespread governmental intervention than ever before in modern times. The measures by which this influence is exerted upon agriculture apply either directly as agricultural measures or indirectly through other branches of economic life.

In its present extreme form, such intervention is a recent development. Indeed, in several countries restrictions on international trade and other forms of intervention affecting farm products were either nonexistent or relatively unimportant until the last few years. Some countries, such as the United Kingdom, the Netherlands, and Denmark, were practically on a free-trade basis. Others, such as Argentina and Canada, were so predominantly on an export basis for agricultural products that tariffs and other import restrictions would have been largely ineffective. Apart from the ordinary scientific and technical aids, government assistance in such countries was primarily directed toward developing new producing areas and securing cheaper access to outside markets.

Since the beginning of the world economic depression, however, governmental intervention has been particularly marked in agriculture, owing to the special severity of the agrarian crisis. Not only have those countries that had previously given government support to home agriculture greatly intensified their activities in this direction, but other countries also have adopted similar policies. The United Kingdom, the Netherlands, Denmark, the Irish Free State, and Belgium have abandoned, at least temporarily, their free-trade or low-tariff policies, and are now definitely endeavoring to aid their farmers either by means of import restrictions or, in the case of products on an export basis, by bounties or other means.

Restrictions of increasing variety and severity have been imposed on imports of agricultural products by virtually every country. Strictly noncompetitive imports include almost the only exceptions. Even on such products, there has been a tendency for duties and other import restrictions to increase either by reason of pressing revenue requirements or because of the need to reduce imports in order to balance international payments. Similarly, there has been increasing intervention to aid exporting industries in both the newer and the older countries. On the whole this intervention in support of export products has neither gone so far nor been so effective as in the case of agricultural products on an import basis. In some of the great ex-

porting countries, notably Argentina and Canada, aids actually granted have been for the most part comparatively mild. Nevertheless there has been widespread application of a great variety of devices designed to assist growers of products on an export basis.

Once actively under way, the process of restriction and counter-restriction, aid and counter-aid, has tended to become cumulative. Import restrictions have tended to result in other import restrictions; export aids, in other export aids; and import restrictions and export aids, to compete each with the other. As each importing country has raised its barriers in the hope of protecting its domestic agriculture against the world price decline, the increased pressure of world supplies upon countries still granting relatively free access to their home markets has impelled them also to take defensive action in behalf of domestic producers. As each exporting country has sought, through bounties and other aids, to relieve its producers from the effects of declining prices forced still lower by rising trade barriers, rival exporting countries, bent on preserving at least the same competitive advantages for their producers as before, have resorted to similar expedients. When these aids are followed by countervailing restrictions in the importing countries, the circle is completed.

NATURE OF TRADE BARRIERS AND RELATED MEASURES AFFECTING AMERICAN FARM PRODUCTS

The measures now in force, restricting or otherwise affecting international trade in agricultural products, are of three major types: (1) import restrictions; (2) export aids and restrictions; and (3) production aids and restrictions.

Import restrictions.—Before the World War and during the prosperous years which preceded the present depression, tariff duties were by far the most important method of restricting imports. Sanitary restrictions prohibiting imports considered to be infested with pests or parasites were in effect on certain agricultural products in various countries and played a secondary role in restricting international trade. Since 1928, various other methods of restriction, generally more severe than the earlier import duties, have come into extensive use.

One of the more recently adopted methods of restriction is that of linked-purchasing or mixing regulations. Such regulations generally prescribe that persons who import a product to which this method applies must at the same time purchase specified quantities of a domestic product with which that imported product competes. In some cases, it is also prescribed that the two products must be mixed. This method of regulating imports has been extensively applied to wheat. In many European countries millers are required to include a certain percentage, often very high, of domestic wheat in their grist. Another example of this type of measure, employed in foreign countries, is the compulsory use of alcohol as motor fuel.

Another method of restricting imports which has recently come into extensive use is that of import quotas or contingents. Imports of certain commodities are limited to a fixed maximum. It is not uncommon to limit imports of a commodity to as little as one half of the imports in the previous year. Quotas are often used not only to limit the total imports of a commodity but also to restrict sep-

arately, and thus to discriminate between, the imports from the principal countries exporting the commodity.

Licensing imports and establishing import monopolies are still other methods of restriction. Under the licensing method, only such persons are permitted to import a product as can obtain a license from the Government to do so. Usually the license specifies how much of the product may be imported. In this manner imports may be restricted by the Government in whatever way it may see fit. Similar control is exercised through import monopolies. Many European governments have monopolies on the import of tobacco, and some also of wheat and rye. Such monopolies are usually employed to restrict imports in the interest of domestic producers.

In the summer of 1931, a new and powerful weapon of restriction came to the fore—governmental limitation of the amounts of foreign exchange which importers may obtain to pay for imports. This type of restriction became important when adopted by Germany and Austria in July, 1931; and it is now extensively applied in central and eastern Europe and in Latin America. The primary purpose was to prevent currency depreciation by several countries which found themselves unable to remain on, or in danger of being forced off, the gold standard during and after the financial crisis of 1931. That crisis, however, caused a number of countries, including Great Britain, to abandon the gold standard without having adopted severe exchange restriction.

Export aids and restrictions.—Four principal methods of aiding export industries, as practiced today in various countries, are here summarized.

Negotiation of commercial treaties and agreements is one of these methods. This method forms an important part of the tariff policy of every nation, and is aimed to secure a favorable market for exports by moderating trade restrictions in other countries. It may or may not involve an active policy of tariff bargaining, but more commonly it does. The concessions which governments attempt to secure from each other in regard to trade barriers may be either exclusive or generalized. Examples of exclusive concessions may be found in the tariff preferences granted by the United Kingdom to the British Dominions, which allow agricultural products from the Dominions to enter the United Kingdom at a lower rate of duty than similar imports from other countries, or admit Dominion products free of duty while a duty is charged on products from other sources. Concessions of this character are also contained in the reciprocity treaty between the United States and Cuba. In the case of generalized concessions, one country agrees to lower its tariff duties on a product or products in which the other country is vitally interested and the reduction is applied to the products affected regardless of the source from which they are imported.

Another method of encouraging agricultural exports, or of increasing the returns to producers of agricultural commodities on an export basis, is the selling of an agricultural product in the world market at a price lower than that prevailing in the domestic market. This may be done either through an export bounty, or through a monopolistic control of marketing which permits producers to receive a higher price on that part of the output which is sold in the

domestic market than on the exported part. Such monopoly controls are usually set up through direct government intervention, the most notable exception being the Paterson plan, applied to butter in Australia. This maintenance of a higher price in the home market, when unaccompanied by restriction of production, tends to increase exports through a reduction of consumption and an increase of production. Since the beginning of the present depression this method of aid has been used by many agricultural surplus countries as a means of partly offsetting the decline in the world prices of their products. In recent years of declining price levels such measures have tended to check declines of production rather than to cause actual expansion. A few of these measures have been accompanied by restriction of production, the most notable example being the plan recently applied to hogs in the Netherlands.

Measures tending to improve or standardize the quality of exports are a third means of aid. Such measures are in effect in many countries. The standardization and grading work by the United States Department of Agriculture is an important example. There are, however, cases in which much more drastic measures have been applied to agricultural exports by foreign countries. In Denmark, for instance, the quality of agricultural products exported is subject to careful control both by the cooperative marketing organizations and by the government.

Restriction of exports, a fourth method of aid, has been used to maintain world prices of certain commodities of which the production or supply is largely concentrated in one country. This has been practiced or at least attempted in several tropical products such as rubber, coffee and henequen. In cases where no one country has a natural monopoly, it is possible to some extent to raise or maintain the world price by restriction of exports through international agreement, if all the important producing countries can be induced to enter and adhere to the necessary agreements. Thus far this has been done only in the case of sugar.

Production aids and restrictions.—A third group of measures, overlapping to some extent with the foreign trade control measures just described, includes those applying directly to production as such. Most of those now in effect are either intended, or at any rate tend, to increase production. Examples include the exercise in Soviet Russia of complete authority over all agricultural production as a phase of the economic planning adopted in that country; intervention in the form of compulsory farm-management, as in Italy and Spain; and “regulated stimulation” of production of particular crops, as in the case of the state tobacco monopolies of various countries, and the British and Netherlands wheat acts. Other aids, involving little or no actual regulation of production, include numerous production bounties and all those trade control measures tending to stimulate production in the country applying them. Some attempts have been made to restrict production, either singly or as a phase of export restriction. Examples include coffee, rubber, henequen, Egyptian cotton, tea, sugar (in certain countries participating in the international sugar agreement), and hogs (in the Netherlands).

WORLD TRADE BARRIERS AS A FACTOR IN THE AGRICULTURAL SITUATION

Measures applied directly to agricultural commodities in foreign countries do not represent the entire influence of trade barriers on prices received by American farmers. Restrictions of trade in non-agricultural products have likewise had an adverse influence, although their effects cannot be definitely measured. In part, their influence has been reflected directly in the rise of the agricultural barriers themselves, by making it more difficult for countries dependent upon imports of foodstuffs and raw materials to pay for them with exports of manufactured products.

In the main, however, the influence of the nonagricultural barriers arises from their relationship, along with that of the agricultural barriers, to the world economic depression. Trade barriers were not the major cause of the depression, or of the agricultural phase of it. Nevertheless such barriers did tend to aggravate the situation prior to 1929. Not only did they retard world economic recovery after the World War, but they were an element of weakness in the international economic situation even during the period of relatively greater prosperity in 1925-29. Since the onset of the present depression, they have contributed to the decline of international trade and world business activity. It follows, therefore, that they are closely connected with the existing world-wide collapse of consumer purchasing power, with the present maladjustment of world production in relation to demand, and with the severe deflation of prices which has been especially marked in agricultural products.

Severe restrictions on trade characterized the first few years after the World War, up to about 1925. The creation of several new states and hence of new customs boundaries; the spirit of intensified economic nationalism; the currency instability accompanying acute difficulties in balancing international payments and national budgets; falling prices; pressing revenue needs—these and other factors encouraged the maintenance of extremely high barriers in foreign countries. Meanwhile, the United States increased her tariff in 1921 and 1922, and this had special significance in relation to our new status as a creditor nation. But for the time being its effect on our exports was offset in large part by other factors, particularly new loans to foreign countries. Moreover, the shortage of raw materials and foodstuffs in Europe was such that for some years after the war they were not subjected to severe import restriction. Hence, so far as exports of American farm products were concerned, the unfavorable factors in this period were chiefly the general economic instability, the financial demoralization, and the decline of prices. Of these factors the severe restrictions on trade, especially nonagricultural trade, were partly the cause but more largely the result.

The financial stabilization in Europe early in the period from 1925 to 1929 was accompanied by widespread economic revival. To be sure, the relative depression in agriculture and the extensive industrial unemployment in some countries, notably the United Kingdom, indicated that the effects of industrial dislocation caused by the World War, and of other adverse factors, were by no means wholly overcome. In general, however, more stable trade conditions were at-

tained, including greater tariff stability and even some tendency toward tariff moderation following the World Economic Conference of 1927.

Despite these favorable elements, there were factors in the international situation fundamentally unfavorable to agriculture, especially agriculture in surplus-producing countries, including the United States. The recovery of agricultural production in Europe after the war, and excessive expansion of agriculture in many exporting countries, contributed greatly to the failure of agriculture to share fully in the prosperity enjoyed by other industries in the post-war years of economic improvement. Partly in an effort to aid their agriculture, the principal importing countries of Continental Europe successively increased their barriers against imports of farm products. European production was thereby stimulated and this contributed to the fall in world prices. This in turn contributed to still further increases in trade barriers. To some extent at least the vicious circle of falling prices and rising trade barriers was under way before the onset of the depression that began in 1929.

The increase of trade barriers, both agricultural and nonagricultural, up to 1930 helped to weaken the foundation of world economic expansion. It made the payment of reparations, war debts, and international private loans increasingly difficult, and by thus contributing to the general economic dislocation made more severe the crisis that developed in 1929. In this connection our own tariff is significant, particularly in view of the change during the war in the status of the United States from a debtor to a creditor nation.

This fundamental reversal in our economic position among nations was so sudden and so far-reaching that it was difficult to realize its significance in relation to our trade policy. Our exports had exceeded our imports for generations, a trade status essential to a debtor nation. It proved difficult for the public at large to realize that a creditor nation cannot continue indefinitely to export more than it imports of goods and services and at the same time collect on foreign loans both public and private, unless it will also continue indefinitely to grant new foreign loans in sufficient volume to enable foreign countries to meet payments on the old loans and to pay for that creditor nation's excess of exports over imports.

Before 1929 the effects of our tariff on debt payments to us and on our exports were not acutely felt. This was partly due to the increase in our imports of nondutiable commodities that resulted in some measure at least from increasing domestic prosperity, and partly because of foreign loans floated in this country, tourist expenditures abroad, immigrant remittances, and other payments to foreigners. These loans and payments, together with transfer of gold to the United States, for the time being provided means of meeting debt payments to this country and of paying for farm products and other goods exported by us.

In 1929, however, our foreign lending began to decline; and this was followed shortly, in the tariff act of 1930, by a still further increase in our barriers. This in turn added to the difficulties confronting foreign debtors in paying their debts and contributed to the already growing problem of finding buyers for our surplus farm products abroad except at sacrifice prices. These difficulties were further intensified as one country after another sought refuge from

falling prices by resort to additional trade barriers and related measures.

The increase of trade barriers was to some extent the result of efforts by individual countries to escape from these difficulties. Imports were restricted by some countries to provide a surplus of exports over imports, in order to make possible the payment of international debts. By some countries they were restricted also to avoid an unfavorable balance of payments and thus to protect their currencies against depreciation. But each country, in seeking thus to alleviate its own financial difficulties, increased those of other countries. Hence the rise of trade barriers to their present well-nigh prohibitive levels on many products. Among these are included many important agricultural products in the United States of which several are on an export basis.

EFFECTS OF TRADE BARRIERS AND OTHER FOREIGN MEASURES APPLIED TO AGRICULTURAL PRODUCTS UPON PRICES OF AMERICAN FARM PRODUCTS

The effects of foreign trade barriers and related measures on prices of farm products in the United States are both direct and indirect. The indirect effects, though important, cannot be measured especially with reference to individual farm products. Hence the following summary, dealing with seven products—wheat, pork products, tobacco, fruit, cotton, dairy products, and sugar—relates only to the direct effects.

Wheat.—In the case of wheat, governmental measures have been especially widespread, with important effect on wheat prices in the United States. Though the effect of protective measures in any particular country may be to improve prices to growers within that country, the effect upon prices in other countries is usually adverse. In almost every case intervention in the wheat trade has tended either to increase production or to reduce consumption, or both. On the whole, governmental intervention has been a more effective aid to wheat growers in the importing countries. Of the exporting countries, only those of the lower Danube have significantly aided producers by raising prices within their borders to levels higher than in other exporting countries. In Canada, Argentina, and Australia the depreciation of currencies has prevented wheat prices from falling as low as they probably would have fallen otherwise. In addition, temporary bounties in the two British Dominions have somewhat mitigated the burden of low prices.

In many of the importing countries of Europe, prices generally have been maintained at levels well above the prices in the open world markets. This is especially true of Germany, France, Italy, and Spain, which are the largest wheat-producing countries of Europe. Great Britain is the only important importing country in which prices have not been maintained throughout the past 3 years at levels well above those in exporting countries. During the 1932–33 season, however, the British grower is in effect guaranteed a price of 10 shillings per hundredweight (the equivalent of \$1.30 per bushel at par of exchange).

In general, the maintenance of relatively high prices in the importing countries, especially in Germany and Italy, has increased wheat

production and decreased consumption. In France, however, there appears to have been little effect upon wheat acreage and only a moderate effect upon consumption.

By and large, it appears that, in the 1931-32 crop year, production for the world outside Russia plus shipments from Russia was probably at least 225,000,000 bushels larger and world consumption (except Russia) at least 175,000,000 bushels smaller, by reason of the maintenance of wheat prices above their normal relationship to the world wheat market in both importing and exporting countries.

If all restrictions on wheat were done away with, the effect would be partly to reduce the carry-over and partly to raise prices, but once the carry-over was reduced, prices would receive the full effect. World wheat prices and hence prices in the United States would then probably be improved by somewhere around 25 cents per bushel if the general level of all commodity prices were about the same as in 1932.

Hog products.—Foreign import restrictions and related measures applying to hog products have been increasing rapidly in number and severity, with distinctly unfavorable effects upon hog prices in the United States. Until 1930 the direct effects of such measures upon our exports of hog products were only incidental. Meanwhile hog production expanded materially in foreign countries, largely a restoration of the hog industry in Europe to the position it held prior to the World War. This meant intensified competition for the American product.

Since 1930 foreign governmental regulations have become increasingly important to our exports of hog products. These regulations have become more drastic as the severity of the business depression has increased, and the repercussions of one country's action upon the position of the others have tended to aggregate the situation. Since the beginning of 1932, practically all countries importing United States hog products have applied new import restrictions. Import duties in Germany and Cuba have been raised sharply and quotas on pork products have been adopted in Great Britain. These measures may be expected to hinder appreciably our already restricted exports of lard.

Tobacco.—Governmental intervention in trade and consumption probably has been carried further in tobacco than in any other major commodity. This intervention, embodied in monopoly control and taxation for revenue, is of such long standing that it is usually accepted as a normal government function and the public generally does not take cognizance of its far-reaching influence upon international trade.

The various trade restrictions imposed in foreign countries during the period 1920 to 1932, probably displaced between 100,000,000 and 150,000,000 pounds of United States tobacco in foreign markets in 1932. Most of this increasing displacement took place between 1924 and 1929, but about 20 percent occurred from 1930 to 1932. This estimate represents only the losses attributed to increased production resulting from protective measures. It does not include losses from decreased consumption owing to tobacco taxes. In most instances these taxes are a major source of revenue and have been in effect so long that it would be impossible to estimate what the quantity of consumption would be without them.

Trade losses suffered by our tobacco growers have been much greater for the fire-cured and dark air-cured types than for flue-cured. Estimated displacements in foreign countries in 1932 were from 80,000,000 to 100,000,000 pounds of fire-cured and dark air-cured compared with a total annual world consumption of only about 200,000,000. Displacements of flue-cured are estimated at less than 50,000,000 pounds, compared with an annual world consumption of from 500,000,000 to 550,000,000 pounds. Consumption of flue-cured in foreign countries increased during the period under consideration, but the rate of increase undoubtedly was less than it would have been without trade restrictions.

The greatest reductions in the importation of United States tobacco occurred in Italy and the United Kingdom; but Germany, France, Spain, Poland, Czechoslovakia, Japan, Canada, and Australia also have made important substitutions for our tobacco. Nearly one half the estimated displacements occurred in countries which, through tobacco monopolies, have followed the policy of stimulating home production at the expense of imports.

Fruit.—The quantity of fruit exported from the United States has held up well in recent years in the face of declining purchasing power and rising barriers in all the principal foreign markets. Prices, however, have suffered, notably of apples and pears. Low prices were in large part responsible for a marked expansion of sales in the French market without which exports of apples and pears undoubtedly would have declined considerably in the last 3 years. Our exports of grapefruit and oranges already have been reduced as a result of recently imposed duties in the principal markets—Canada and the United Kingdom. It appears probable, moreover, that citrus production in the British Empire will be stimulated because of duty-free entry into the British and Canadian markets in connection with the recent extension of imperial preference to these products.

Cotton.—Cotton offers a marked contrast to the other products. There has been some foreign government intervention, but its extent and character have not on the whole been such as to affect prices of raw cotton in the United States appreciably. In most countries cotton is admitted either free of duty or subject to a very low rate, our own tariff of 7 cents a pound on long-staple cotton being perhaps the most conspicuous exception.

In the main, foreign intervention in cotton has been in the form of direct subsidies or of other methods of encouraging cotton production in new areas. Foreign governments and cotton-milling interests have encouraged production in areas outside the United States, thus reducing foreign dependence upon this country as a source of supply. These efforts were helped greatly by the drastic reductions in supplies of American cotton and the high prices from 1921 to 1923.

Under the pressure of low prices since 1929, however, foreign production has declined significantly in spite of numerous attempts to aid the growers. In Egypt, such reduction has been and is deliberately sought through restrictions on acreage planted, as a means of securing higher prices for the long-staple cotton exported by that country. These measures to influence production appear to have had little effect on prices of American cotton. The widespread tariffs on cotton goods, however, probably are much more important.

Dairy products.—Any appraisal of the effects of foreign import restrictions and related measures on prices of dairy products in the United States is necessarily complicated by the diversity of the dairy products themselves and of the conditions surrounding our foreign trade position with respect to each. We are predominantly on an import basis for milk and cream, butter, and cheese. Our butter exports sometimes exceed our imports by a small margin, and we export condensed and evaporated milk in large quantities, and cheese in limited amounts.

The general tightening of foreign trade barriers has doubtless been a hindrance to our exports of these products. On the whole the dairy industry may be said to be on a domestic market basis. The chief effects of foreign trade barriers upon prices of dairy products in the United States, therefore, depend on their effects on world prices of dairy products, especially upon those which we import even in small amounts. Of these, butter is the most significant.

Trade restrictions and other measures of intervention in foreign countries have tended distinctly to depress prices of butter in the world market, as represented by the United Kingdom. Restrictions on imports in other markets have concentrated supplies on the British market; and bounties and other aids to the producers have further enhanced this pressure in some of the exporting countries. Restrictions in the British market are limited to a tariff on non-Empire butter. In competing with Dominion supplies, producers in Denmark and in other non-Empire exporting countries appear to have absorbed most of the British tariff. This has meant a lower price for foreign butter in London, exclusive of duty, and a lower price in the non-Empire countries shipping to the United Kingdom.

This, together with the other measures of governmental intervention in both importing and exporting countries and the depreciation of foreign currencies, has led to a widening of the gap between world prices and prices received in the United States behind a domestic tariff duty of 14 cents a pound. Nevertheless, the domestic tariff could not counteract, and has not counteracted, except in part, the effects of the decline of world prices of butter in recent years to which trade barriers and other measures in foreign countries have contributed.

Sugar.—This commodity, although less important in American agriculture than the other products mentioned, furnishes an excellent illustration of an agricultural product the price of which is affected by widespread governmental intervention throughout the world. Since sugar in the United States is so distinctly on an import basis, the effects of intervention in foreign countries on the price of sugar here must be traced through their effects on the world sugar price level, and through it on the tariff-protected price of sugar in the United States.

In virtually every country governmental intervention of some sort tends to influence production or consumption of sugar, or both. Such intervention has always been widely prevalent in respect to sugar; bounties and other assistance to producers were very common, especially in European countries, long before the World War. Since the war, and especially during the last few years, trade-control measures have been intensified.

In 1932 the weighted average rate of duty on raw sugar (96°) in 37 countries which were either on an import basis or in which there was internal control of the sugar trade, was 2.8 cents a pound. The average for 13 countries in continental Europe was 6.8 cents a pound. In the exporting countries, aside from those (included above) in which the tariff was made effective by internal control of the sugar trade, government intervention, until 1931, was much less marked. To be sure, export areas within the British and the French Empires are granted tariff preferences in the mother countries, and in some other exporting areas there has been special assistance to the growers. But in such great exporting regions as Cuba and Java there have been no bounties or similar aids to production. Since 1931, on the contrary, these countries have been parties to an international agreement to restrict exports from the leading sugar-exporting countries. In Cuba, indeed, the restriction of production was attempted on a less ambitious scale prior to 1931.

The net effect of the various measures of intervention upon the world price has been large. It is estimated that at the end of 1932, from four to five million short tons were added to world stocks of sugar on account of the stimulative effect of various measures in recent years. This is estimated to have reduced the world price by nearly a cent a pound.

Since 1931 an international agreement curtailing exports, supplemented by production restriction, has sought to reduce world sugar stocks. This, together with low prices, has reduced somewhat the production and visible supplies in the countries adhering to the agreement.

Trade barriers and related measures, in their present extreme form throughout the world, have contributed to the distress in American agriculture. The agricultural depression, however, was brought about by many other causes too numerous and complex for summarization here. Suffice it to note that the dislocation of production and trade, growing out of the World War, contributed to the severity of the situation under which farmers in this country and elsewhere have labored in the past several years. Low farm income and falling values of farm property brought distress and failure to many financial institutions, and contributed to the industrial depression through reduced demand of farmers for industrial products. The industrial depression and declining price levels in turn curtailed consumer demand for farm products and caused farm prices to fall to ruinously low levels. The results of these interrelated causes were further intensified by the long-time influence of planless expansion in agricultural production, overexpansion and maladjustment in many industries, and by other fundamental factors.

Trade barriers and related measures, as part of these complex forces, have aggravated the agricultural depression. Carried to the levels reached in the past several years, these barriers create a strong incentive for the raising of further barriers. Hence, the area of governmental intervention has been greatly widened until no country remains wholly outside. Restrictions upon trade have been greatly intensified, and it is increasingly apparent that actions intended for the advantage of individual countries are resulting in cumulative damage to the trade and prosperity of all.

PART I
ECONOMIC AND HISTORICAL BACKGROUND

13

CHAPTER I

TRADE BARRIERS IN RELATION TO AMERICAN AGRICULTURE

The present report deals with international trade restrictions on agricultural products and other farm relief measures in foreign countries, and with the effects of such measures on American agriculture. The decline of agricultural prices in recent years is due in part to the increase of trade barriers. This increase has taken place with respect not only to barriers and other measures directly applied to agricultural products, but also with respect to nonagricultural barriers, which also tend indirectly to retard international trade in farm products. The decline of agricultural prices, however, is also due to many other important causes. To measure the importance of trade barriers in relation to these other causes with any degree of exactness is not possible, but an attempt is made in the present chapter to indicate in a general way the significance of trade barriers in relation to the other factors involved.

RECENT TRENDS AND PRESENT POSITION OF AMERICAN AGRICULTURAL EXPORTS

Agricultural commodities have always constituted an important part of the export trade of the United States, and the present depression has not reduced their importance in relation to total exports.¹ There have been significant changes, however, during the past two decades in the absolute amount of agricultural exports both in quantity and, to a much greater extent, in value. The relative importance of the various commodities entering into our agricultural exports has also changed considerably. The general nature of these changes is indicated by figures 1, 2, and 3.

Figure 1 shows that agricultural exports increased considerably during the World War and declined after it, but remained somewhat above the level of the years preceding the war till 1929-30. Changes in the value of agricultural exports have been similar in direction to changes in their quantity, price changes having been correlated somewhat closely with changes in quantity so far as total agricultural exports are concerned. Changes in prices, however, have been considerably greater than the changes in the quantities of farm products exported.

Figure 2 shows the changes in the quantities exported of all farm products; of cotton, which now makes up about half of the total; and of all products except cotton. It will be noted that exports of all agricultural commodities were maintained consistently above the average of the years 1909-13 throughout the war and post-war

¹ While the agricultural commodities accounted for a slightly smaller part of the value of American exports in 1931 and 1932 than in 1924-28, the quantity of agricultural exports has declined much less than that of other exports.

periods until 1929-30. Exports of all commodities except cotton, chiefly foodstuffs, increased greatly during the war years as a result of a decline in European agricultural production and increased European demand growing out of war conditions. Since the war exports of foodstuffs have fallen off sharply. Before 1929 this was



FIGURE 1.—UNITED STATES AGRICULTURAL EXPORTS BY QUANTITY AND VALUE.

largely due to the recovery of agricultural production in the European importing countries, which was aided by trade barriers, and to the expansion of agriculture in agricultural surplus countries. Since 1929 it has continued, owing partly to some further increases of

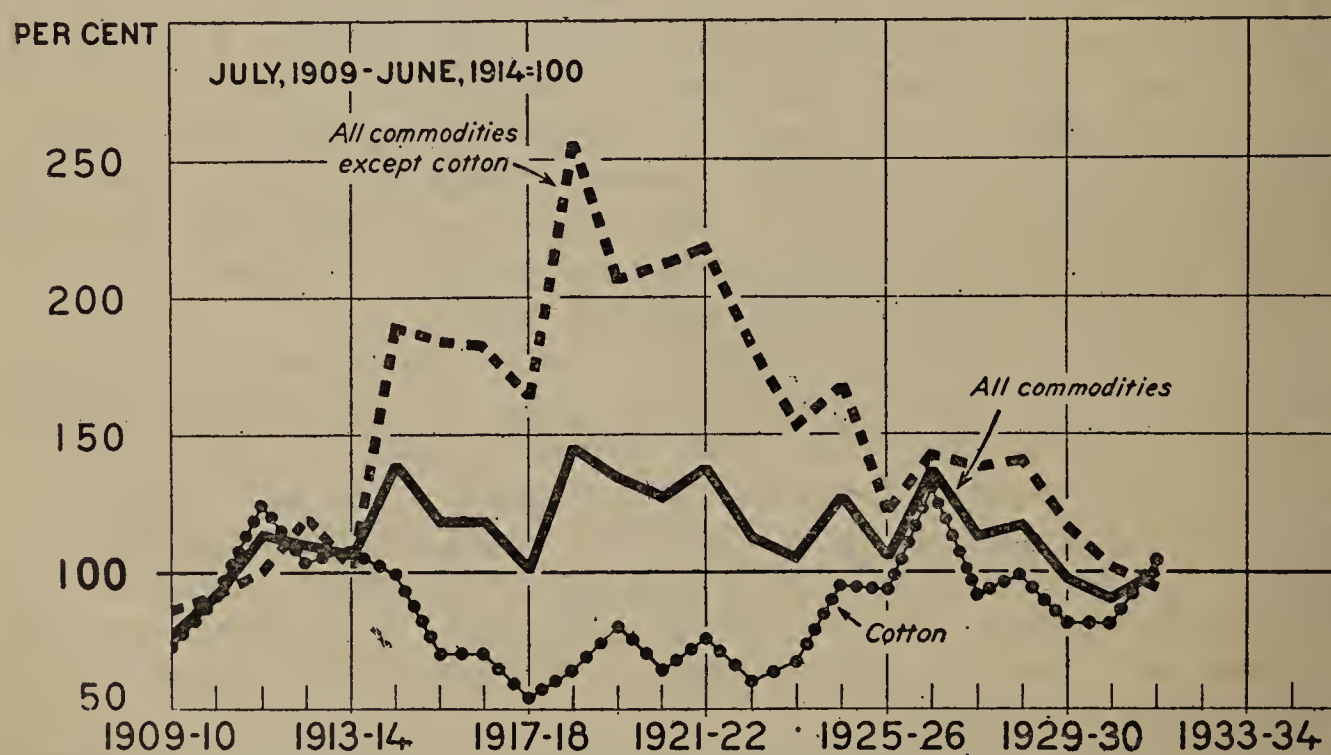


FIGURE 2.—QUANTITY OF UNITED STATES AGRICULTURAL EXPORTS.

production and partly to the reduction of consumption in importing countries which has resulted from the reduction of purchasing power and the rise of trade barriers.

Exports of cotton, on the other hand, fell off during the war largely because of the blockade of the central European countries, and continued to be small during the early post-war years because

of a succession of poor cotton crops in the United States. Unlike other farm products, cotton has not been directly affected by trade barriers to any significant extent.

Figure 3 shows the quantities exported of the principal groups of agricultural commodities in our export trade. It will be noted that the trends of the exports of wheat and pork have been essentially different from those of other products. Wheat and pork exports rose during the war, but have since shown a marked decline. It is on these products that the effects of rising trade barriers in the principal foreign markets have borne most heavily. Tobacco exports have been substantially larger in post-war years than before the war, but in recent years increased import restrictions have led to a considerable displacement of American tobacco in foreign markets. Fruit exports have shown a spectacular increase from pre-war levels. Nevertheless, trade barriers have become increasingly important obstacles to our fruit exports since 1929, and if continued at present

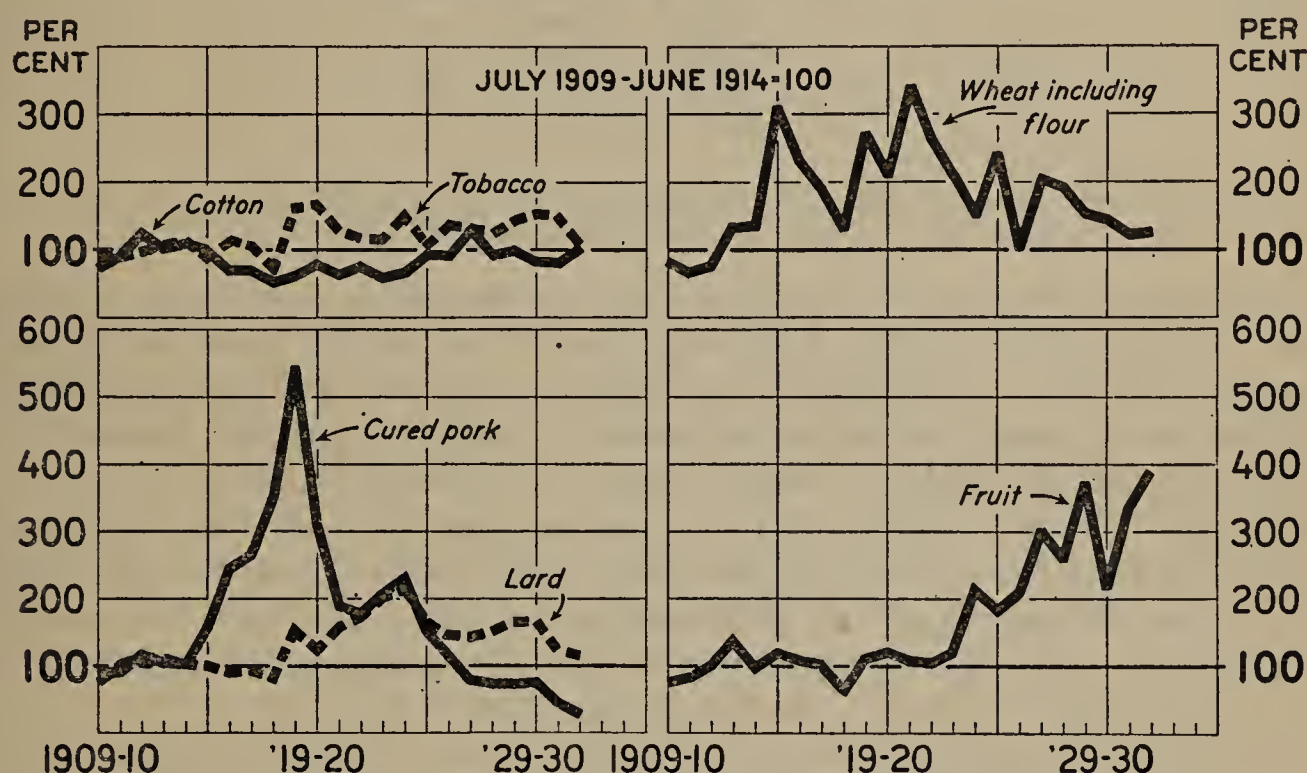


FIGURE 3.—UNITED STATES EXPORTS OF TOBACCO, COTTON, CURED PORK, LARD, WHEAT, AND FRUIT.

levels promise to stimulate fruit production in the importing countries and thereby lead to a diminution in the requirements of those countries for American fruit.

DEPENDENCE OF AMERICAN AGRICULTURE ON THE WORLD MARKET

It is impossible to measure the relative importance of domestic and foreign conditions on the returns received by American farmers from the sale of agricultural products. It is, however, possible to show that prices of farm products generally in the United States depend to a considerable extent on prices of American agricultural exports.

During the 6 years, 1924-25 to 1929-30, the farm value of agricultural products exported from the United States was equal to 12.7 percent of the total farm value of net agricultural production² in

² Net agricultural production as here used means total production of a crop less feed and seed used in its production.

this country. Since then the percentage has become much smaller. It is sometimes inferred from the smallness of these percentages that foreign markets are of little importance to American agriculture. That this view is fallacious can be readily shown.³

That American agriculture is in fact highly dependent upon the world market becomes evident upon closer examination of our agricultural exports. Of a number of our principal farm commodities the production each year, or in most years, is greater than can be sold in the domestic market. Table 1 indicates the proportion of the output of certain selected commodities which has been exported in recent years.

TABLE 1.—*Net exports of selected commodities in percent of United States production, average 1926-30*¹

	Percent		Percent
Cotton-----	58.8	Rice-----	23.3
Prunes-----	49.7	Apples-----	20.2
Tobacco-----	33.9	Wheat-----	18.5
Raisins-----	53.8	Oranges-----	8.5
Lard-----	31	Hog products ² -----	6.2
Rye-----	30	Grapefruit-----	6.2

¹ Exports in crop years in percent of production in calendar years.

² Percent of wholesale value of hog products exported, calendar years.

The most important types of export commodities are cotton, wheat, tobacco, hogs, and fruit. Although less than half of the production of most of these commodities is exported, the whole production is affected to a greater or lesser extent by world price. In a market in which producers compete with each other the price of that part of the output which is sold in the domestic market can differ from the price of that which is exported only to a limited extent and under certain special conditions.⁴ Broadly speaking, the price received for the whole production of agricultural commodities on an export basis is directly affected by conditions in the world market.

A substantial part of our agricultural resources is devoted to the production of such commodities. The acreage under corn⁵, cotton,

³ Incidentally, attention should be directed in this connection to the error inherent in the use of the ratio of exports to total production as a measure of the degree of dependence of our farming industry upon foreign markets. Any such ratio necessarily fails to take into account the effects of trade barriers and other economic obstacles to exports. Since we do not know what the volume and value of our exports would have been in the absence of these obstacles, such percentages are all that we have to go on. But with the important exception of cotton, upon which few direct restrictions are imposed, most of our agricultural exports are confronted by formidable barriers in foreign markets. If the barriers had been still higher in the period 1924-25 to 1929-30 than they were, the 12.7 percent ratio noted above would have been materially lower. In fact, the ratio has declined sharply in the last few years; in 1931 it was 6.7 percent. But this decline does not at all indicate a reduced dependence upon foreign markets. It only indicates that the consequences of that dependence are now being more acutely felt. Even if the barriers now in effect were responsible for a reduction of the farm value of exported agricultural products by only 5 percent of the value of total net farm production, this would still mean a loss amounting to about three fourths of the value of present agricultural exports and to about two fifths of the average value of our agricultural exports from 1924-25 to 1929-30.

⁴ Thus in the case of several of our principal export crops there are certain varieties or grades which are on an import basis. This applies to long-staple cotton and certain varieties of tobacco; but only relatively small quantities of these are produced in the United States. Hard spring wheat is, in some years, on an import basis; but the possibility of substituting hard winter for hard spring makes it impossible for hard-spring prices to get very far out of line with wheat prices in general. Other exceptions are that commodities which are, generally speaking, on an export basis may be on an import basis in certain limited regions or at certain times of the year. Finally, it sometimes occurs that the price of an export commodity, while remaining somewhere near export parity, is not low enough to permit exports in large volume. This has been the case with wheat in the last two seasons.

⁵ Since a large part of the corn crop is fed to hogs and corn is exported also as grain and as cornstarch, it is to be regarded as an export crop.

wheat, and tobacco in 1929 was 210,000,000 acres, or 59 percent of the total crop acreage of the United States, which was 358,000,000.⁶ Thus approximately one half or more of our agricultural resources is used in the production of commodities of which the price is to a large extent dependent on the world market.

That the farm prices of these commodities have fallen more since the years before the depression than those of farm products as a whole is indicated by table 2.

TABLE 2.—*Index numbers of farm prices of all principal products and of principal products on an export basis, United States*

[1924-29=100]

Crop years	All prin- cipal products	Hogs, wheat, tobacco, and apples ¹	Cotton	Crop years	All prin- cipal products	Hogs, wheat, tobacco, and apples ¹	Cotton
1924-----	104	105	125	1928-----	100	92	98
1925-----	104	116	107	1929-----	97	92	92
1926-----	94	101	68	1930-----	71	67	52
1927-----	101	96	110	1931-----	47	39	31

¹ Each commodity weighted in proportion to the total cash farm income derived from it. If the various minor export crops were included, this would not materially affect the index.

Cotton has been separated in the table from the other export commodities because it has not been affected by trade barriers to nearly the same extent as the rest. That the farm price of cotton has declined more than most other farm prices is principally a result of the greater sensitiveness of cotton prices to industrial conditions. The decline of the average of farm prices of other export commodities in relation to the general average is probably due in considerable part to the effect of trade barriers on hog products and wheat, which because of their great importance principally determine the index number for export commodities other than cotton. Farm prices of tobacco and apples have not declined as much as the general average.⁷

Commodities which are not on an export basis, however, have also been affected by conditions in the world market, though for the most part in a more indirect way and to a lesser extent. Several important agricultural commodities, such as wool, hides, sugar, and flax-seed are definitely on an import basis. Although our tariff duties on these products raise the domestic price above the world price, this does not prevent the domestic price from fluctuating with the world price of the same commodity. Other commodities, such as a number of truck crops, are imported in certain seasons or in certain localities only. Finally, certain commodities are on the borderline, there being a small amount both of exports and of imports.

The prices of all agricultural commodities are closely interrelated, since farm products compete with each other both for the consumer's dollar and the farmer's land. Thus when the prices of export products decline more than other agricultural prices as a result of world

⁶ These acreage figures include the acreage under annual crops, and do not apply to fruits. A considerable part, however, of the fruit production is exported and several of the most important fruit crops are on an export basis.

⁷ But the farm prices of types of tobacco and apples on an export basis have declined more than those of tobacco and apples not on an export basis. This is certainly due in part, and possibly in large part, to the effect of trade barriers.

conditions, consumers tend to shift their consumption to these products at the expense of other farm products; and farmers tend to shift their acreage from export products to products sold only in the domestic market. The result is that the price decline of commodities on an export basis tends to drag down the prices of other agricultural commodities.

It is noteworthy that even deficit countries such as France and Germany have not been able to insulate their farm prices entirely from the world market. The dependence on world conditions, however, is far greater in the United States and in other surplus-producing countries, where products on an export basis are far more important in relation to total agricultural production.

EFFECTS OF TRADE BARRIERS DIRECTLY APPLIED TO FARM PRODUCTS

When a trade barrier is imposed on any product by a country which imports it, the immediate effect is to raise the price in that country in relation to prices of the same product in other countries. If the country in question is an important consumer and producer of the commodity, prices in other countries will tend to be lowered by a significant, though not easily measurable, amount. The price changes which result from the new trade barrier may in turn give rise to changes in production and consumption which involve a reduction of the imports of the commodity in question. Production tends to be increased and consumption reduced in the country imposing the trade barrier. If the effect on prices in other countries is significant, this will tend to discourage production and to encourage consumption.

As regards prices, it will appear that trade barriers have been in considerable part responsible for certain disparities between the prices of farm products in protectionist deficit countries and those in other countries, and for the widening of these disparities since 1929. In what degree the rapid decline of prices in the world's principal surplus countries can be attributed to this cause is uncertain, but, in view of the number and importance of the countries which have greatly increased the severity of their trade barriers on agricultural products, the effects of these barriers must be of very considerable significance.

Agricultural production of the principal deficit countries recovered, some years after the World War, to a level on the average about as high as before the war, and had, at the beginning of the present depression, risen above the pre-war level. This increase of production has been accompanied and to some extent aided by trade barriers in these countries.

But although the increase of production in the deficit countries has considerably reduced the exports of American farm products, American exports have also been seriously affected by the increase of agricultural production in surplus countries, such as Canada, Argentina, Australia, Denmark, and Holland. These countries have increased their agricultural production in spite of the fact that their prices, like those of the United States, have tended to fall. In order to consider the effects of trade barriers in their proper perspective it will be necessary to give attention to the increase of production in surplus as well as in deficit countries.

That agricultural production in the United States has increased less since the World War than in other surplus countries is due to various causes. Such countries as Canada, Australia, and Argentina have possessed certain competitive advantages over the United States owing to their large regions of fertile virgin lands, to the fact that they are debtor countries, while the United States is a creditor country with a high protective tariff, and in recent years to the depreciation of their exchanges.⁸

DIFFERENCES AMONG CERTAIN COUNTRIES IN RECENT AGRICULTURAL PRICE DECLINES

Owing to the costs of transportation it is natural that prices of agricultural commodities entering into international trade should be somewhat higher in deficit than in surplus countries. The existence of trade barriers, however, has greatly increased these differences and has made them of primary importance in influencing the geographical distribution of the world's agricultural production. Since the World War trade barriers have steadily increased the disparities between the prices of many agricultural commodities in the surplus countries and the prices of the same commodities in those deficit countries which have pursued a protectionist agricultural policy. The increasing divergence, however, has become particularly marked since 1929 owing to the unprecedentedly rapid increase in trade barriers which has taken place since 1929.

To illustrate, wheat prices in 1929 were considerably higher in those deficit countries which applied trade barriers to wheat than they were either in the surplus countries, or in such countries as Great Britain, which admitted wheat free of duty or other restrictions. Since 1929 these disparities have been greatly increased. These facts are shown in table 3.

TABLE 3.—*Wheat prices in selected countries*

[Converted into cents per bushel at current rates of exchange]

Year	Paris, domes- tic	Berlin, domes- tic	Great Britain, domes- tic	Buenos Aires, near futures	Kansas City no. 2 hard winter
January—					
1929.....	165	136	124	109	114
1930.....	144	160	124	119	119
1931.....	179	168	73	48	70
1932.....	168	146	54	41	53
1933.....	115	120	48	36	44

In the United States, Argentina, and Great Britain⁹ wheat prices have declined sharply since 1929. In France and Germany, however, domestic wheat prices in 1931 and 1932 were actually maintained above the level of 1929 by means of import restrictions. In 1933 the effectiveness of these restrictions has been reduced by the large crops

⁸ References to currency depreciation in this chapter apply to the situation existing up to March 1933. The subsequent depreciation of the dollar has greatly modified the situation.

⁹ The British Wheat Act of 1932 provides for the payment to British wheat growers of a bounty calculated to make their total returns, including market price and bounty, equal to 10 shillings per hundredweight (about \$1.30 a bushel at par of exchange). Although this does not directly affect the market price, it is likely to increase production by increasing the returns to the grower.

of 1932, but the prices in both countries are still much higher in relation to prices in exporting countries than they would be but for the increase of import restrictions since 1929.

Although the general level of agricultural prices has declined greatly in all countries since 1929, the decline has, on the whole, been greater in surplus than in deficit countries. Among the causes of this decline, the increasing severity of trade barriers no doubt has played an important part.

Table 4 compares recent changes in the average level of agricultural prices in three surplus countries with those in the deficit countries. Two of the deficit countries included, namely France and Germany, had severe trade barriers on agricultural products before 1929 and have greatly increased the severity of these barriers since the onset of the depression. The other deficit country, England, admitted most agricultural products free of duty till 1931, and the protectionist policy which was initiated in that year had not, before the end of 1932, had very much effect upon prices of agricultural products in that country.

TABLE 4.—*Index numbers of wholesale prices of farm products in selected countries*¹

[Index numbers published in terms of inconvertible paper currencies have been converted to gold basis—1929=100]

Year	Deficit countries			Surplus countries		
	France	Germany	England and Wales ²	United States	Canada	Argentina
1926.....		99	105	95	99	95
1927.....	103	106	100	95	101	98
1928.....	101	103	102	101	100	109
1929.....	100	100	100	100	100	100
1930.....	91	87	93	84	82	74
1931.....	94	80	78	62	54	44
1932.....	83	70	55	46	42	35

Sources: For France: Bulletin de la Statistique Generale de la France. For other countries: Monthly Crop Report and Agricultural Statistics, International Institute of Agriculture.

¹ These index numbers have been calculated by official agencies in the various countries to which they refer. They are not strictly comparable, owing to (1) differences in the method of computing, (2) differences in the choice of the base year, and (3) differences in the criteria used in the choice of weights. Of the last of these 3 points of divergence, see footnote 10, p. 23.

² Prices paid to producers in local markets.

It will be seen that in 1932 the index numbers for England and the three surplus countries had decreased much more, in comparison with 1929 and the preceding years, than those of France and Germany. The difference is to be explained in large part by the increase of tariffs and other import restrictions in France and Germany since 1929. This increase has not only retarded the decline of agricultural prices in France and Germany but it has also tended to make the decline in other countries more severe.

Important factors other than the increase of trade barriers have been also partly responsible for disparities between the agricultural price movements of the various countries. The world price of a commodity which is of particular importance in the agriculture of one country may have declined more than the prices of commodities which are important in the agriculture of the other countries. For instance, cotton, which is of the greatest importance in American agriculture,

culture, is not produced in significant quantities in any of the other countries included in table 1. That the price of cotton has declined more than many other agricultural prices partly accounts for the relative severity of the average decline of agricultural prices in the United States. And yet cotton, although it is our most important export crop, has been affected by trade barriers for the most part only indirectly. That agricultural prices in England had in 1930 declined less than those of any other country included in the table is probably due mainly to the much greater relative importance of animal products in English agricultural production than in that of the other countries included. The prices of these products were, on the whole, affected by the depression less early than those of other agricultural products.¹⁰

While trade barriers have affected price differences between agricultural deficit and surplus countries, the relative competitive advantages of agriculture among the surplus countries have been in some degree affected by currency depreciation.¹¹ Of the three surplus countries included in table 4, Argentina has allowed its currency to depreciate substantially in recent years, thus affecting the relation between its own price level and the world price level. Canada also allowed its currency to depreciate somewhat during the depression. Every important agricultural surplus country is now off the gold basis. In table 4 the index numbers for Canada and Argentina have been converted to a gold basis. Table 5 shows the index numbers converted to a gold basis as in table 4, and also in terms of the national currency of each country.

TABLE 5.—*Index numbers of wholesale prices of farm products in Canada and Argentina compared with United States*
[1929=100]

Year	United States	Canada		Argentina	
		In terms of national currency	Converted to gold basis	In terms of national currency	Converted to gold basis
1926-----	95	99	99	98	95
1927-----	95	101	101	96	98
1928-----	101	100	100	107	109
1929-----	100	100	100	100	100
1930-----	84	82	82	84	74
1931-----	62	56	54	62	44
1932-----	46	48	42	58	35]

¹⁰ The real differences between the agricultural price levels of some of the countries included in table 1 are probably somewhat exaggerated by differences in the methods of choosing weights for the various commodities. Ideally, for our present purpose, weights should be based on the quantity of each commodity marketed by farmers in each country. This principle has been followed in the compilation of the index numbers for the United States, Canada, and England. In the case of France, however, weights are based upon marketings plus imports, and in the case of Germany, on consumption. While such a procedure must tend to give undue importance to commodities of which considerable quantities are imported and in which import restrictions have presumably been most effective in raising price, it is not likely that this would account for more than a minor part of the difference between the index numbers of these two countries and those of the other countries. The weights of the index numbers for Argentina, on the other hand, are based upon exports. But since the range of Argentina's agricultural exports is almost coextensive with that of her agricultural production, this discrepancy also is likely to be of minor importance. The index number for Argentina would most probably have fallen more than those of the United States and Canada even if it had been calculated on the same basis as the latter, since Argentina is on an export basis in a larger part of its agriculture than either the United States or Canada.

¹¹ This applies also to deficit countries. But probably the principal effects of exchange fluctuations on world agriculture have taken place in surplus countries.

In Canada, where the currency is not greatly depreciated, the difference is small. The situation in Argentina is more representative of that of the remaining surplus countries of the world. The index number in terms of Argentine currency has declined less than that of the United States, while in terms of gold it has declined more.

The depreciation of the currency in agricultural surplus countries has thus afforded some relief to farmers. The fact that farm prices in these countries are higher in terms of their national currencies than they would be in the absence of depreciation makes them also higher in relation to the farmers' debts and to the prices of some commodities which farmers buy. This factor is beneficial to farmers in countries with greatly depreciated currencies, such as Argentina and Australia. For farmers in countries with greatly depreciated currencies are in a better position to pay their debts and to buy various commodities, to maintain their production at its existing level, in spite of the drastic reduction of world prices in gold. This intensifies the competition of these countries with the United States. That competition has also, to some small extent, been aided by various measures tending to stimulate exports.

Thus, while import restrictions in the deficit countries have protected farmers in those countries, partly at the expense of American farmers, currency depreciation and export aids have helped farmers in other surplus countries to compete with American farmers in the world market. But of these two groups of factors the import restrictions have been the more important.

CHANGES IN WORLD AGRICULTURAL PRODUCTION SINCE THE OUTBREAK OF THE WORLD WAR

As already indicated, American agricultural exports have been greatly affected by changes of agricultural production in foreign countries. Table 6, showing the changes in crop acreages in the principal agricultural regions of the temperate zone, gives a rough statistical measure of these changes in world production.

TABLE 6.—*Crop acreage in leading agricultural regions*

Year	United States	Europe (excluding Russia)	Russia	Canada, Argentina, Australia
	<i>Million acres</i>	<i>Million acres</i>	<i>Million acres</i>	<i>Million acres</i>
1909-13.....	290	250	¹ 282	99
1920.....	321	210		125
1925.....	321	240	263	125
1930.....	327	250	303	151
1932.....	320	247	337	140

Figures include: For United States, wheat, corn, oats, barley, rye, cotton, tame hay, potatoes, sweet-potatoes, flaxseed, buckwheat, tobacco, and rice; for Europe, excluding Russia, wheat, corn, oats, barley, rye, potatoes, sugar beets; for Russia, all crops; for Canada, field crops; for Argentina, wheat, corn, oats, flaxseed, barley, rye, and alfalfa; for Australia, all crops.

¹ 1913 only.

The war caused European agricultural production to decline and European demand to increase. Russia, one of the great foodstuffs exporters, disappeared from the world's markets. Agricultural production in the United States and other non-European countries expanded to meet the increase in European requirements. Since

the war Europe has gradually restored its agricultural production to pre-war levels and has even advanced it beyond that point. This restoration was made possible and even encouraged by increasingly severe barriers to agricultural imports into the European deficit countries. A factor influencing these barriers against agricultural imports has been the rise in barriers against their industrial products in foreign markets. The result has been a substantial curtailment of European requirements for imported foodstuffs.

Meanwhile, aided by improvements in production technique, production continued to expand in Canada, Australia, Argentina, and other exporting countries competing with the United States in European markets. The return of Russia as an important exporter in 1930 further intensified competition in European markets.

Such was the position at the outset of the world economic crisis in 1929. The competitive situation has been greatly aggravated by the depression. Surplus countries competing with the United States have, partly by reason of depreciated currencies, maintained their production and exports in the face of declining prices. Agricultural production in the European deficit countries has been maintained and even expanded under the shelter of greatly increased trade barriers. Thus, American agricultural exports, especially grains and animal products, have been adversely affected both by increased European production aided by import barriers and by production in other surplus countries aided by depreciated currencies.

Wheat and pork are the principal products affected by these developments. In a later section attention is given to the specific effects of trade barriers and restrictions on the prices and exports of these and other products. It will be of value here, however, to present some basic statistical evidence of the relationship between changes in world production and United States exports of wheat and pork. The principal developments in world wheat acreage and production since pre-war years are shown in table 7.

TABLE 7.—*Wheat acreage and production in principal regions*

Period	United States	Canada, Argentina, and Australia	Russia	Europe, excluding Russia	Estimated world total, excluding Russia and China
ACREAGE	<i>Million acres</i>	<i>Million acres</i>	<i>Million acres</i>	<i>Million acres</i>	<i>Million acres</i>
1909-10 to 1913-14.....	48	34	74	73	204
1920-21 to 1924-25.....	60	47	40	64	¹ 226
1925-26 to 1929-30.....	58	56	71	70	243
1930-31.....	61	64	80	74	² 258
1931-32.....	55	58	92	76	² 250
1932-33.....	55	62	89	75	² 255
PRODUCTION	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>	<i>Million bushels</i>
1909-10 to 1913-14.....	690	435	757	1,349	2,966
1920-21 to 1924-25.....	822	671	332	1,106	3,199
1925-26 to 1929-30.....	823	810	796	1,350	3,624
1930-31.....	857	867	989	1,362	² 3,813
1931-32.....	900	731	-----	1,434	² 3,771
1932-33.....	727	860	-----	1,499	² 3,760

¹ 1921-22 to 1924-25 average.

² Preliminary.

First of all, it will be noted that wheat acreage and production in the United States and in other non-European countries were substantially higher just after the war than before. European acreage and production, on the other hand, were much reduced. The post-war developments have been of special significance to our export trade. Non-European production continued to expand during the post-war years up to 1930. This was due partly to such factors as improvement in dry-farming methods; the development of early maturing varieties of spring wheat in Canada and the extension of the Canadian area northward; and, finally, a marked advance of mechanization (tractors and combine harvesters) in the principal exporting countries. During this post-war period Europe was gradually restoring its production to the pre-war level. It is of special significance in this connection that while European acreage is only slightly above pre-war, the production is considerably over the pre-war average. This indicated increase in yield per acre has been made possible in part at least by the more extensive use of fertilizer. In order to accomplish this restoration in wheat production European countries found it necessary, however, to impose increasingly severe restrictions against the rising supplies from non-European sources.

In spite of strong competition and declining European requirements wheat exports from the United States have been substantially above pre-war levels for most of the post-war period, although the trend has been downward since 1920. The marked decline in our exports of wheat in more recent years has been influenced by several factors, the most important of which were the stabilization activities which maintained prices of our wheat above world levels, the increasing pressure of competition from other surplus countries, and the drastic restrictions imposed by the deficit countries on imported wheat.

The influence of foreign production on our exports of pork and pork products has been somewhat similar to that in the case of wheat. The war reduced European production of animal products and stimulated production and export in the United States, Canada, and particularly in Southern Hemisphere countries. At the same time, there was a marked expansion in the production of edible vegetable oils which compete with butter and lard. Table 8 shows the average numbers of hogs and cattle in Europe before the war and since.

TABLE 8.—*Hogs and cattle: Average numbers in Europe (excluding Russia)*

Period	Hogs	Cattle	Period	Hogs	Cattle
	<i>Millions</i>	<i>Millions</i>		<i>Millions</i>	<i>Millions</i>
1909-13-----	68	100	1926-28-----	72	102
1920-22-----	57	99	1929-31-----	75	104
1923-25-----	65	99			

It will be noted that hog numbers in Europe now exceed pre-war levels and that cattle numbers are also slightly larger. The actual increase in the production of animal products has probably been

somewhat greater than for animal numbers because of technical improvements in production methods. In contrast to wheat, the competition met by United States pork exports comes chiefly from European countries. The gains made by Denmark, the Netherlands, and other European surplus producing countries, such as the Baltic States and Poland where government aid to the hog industry has been important, have materially reduced the outlook for American pork products in the deficit countries of Europe. But, beyond this, the increased production in Germany, one of the leading importing countries, has decreased its requirements for foreign supplies of pork and to a lesser degree of lard; and within the last few months Great Britain has taken steps to restrict imports of pork with a view to the encouragement of its domestic hog industry.

The rising volume of animal products from Southern Hemisphere countries, made possible largely by improvements in transportation facilities and refrigeration, has an important bearing on American agricultural exports. In the first place it has made it unprofitable for the United States to continue to export beef in volume to European markets. Such exports assumed important proportions during the war years when shipping conditions made it difficult to move Southern Hemisphere products. Furthermore, Southern Hemisphere beef and mutton compete indirectly with American pork; and the heavy shipments of butter combined with large European production are a factor limiting American exports of lard, especially to Germany where lard and butter are more or less interchangeable. Shipments of beef and mutton from the principal countries of the Southern Hemisphere are now over one-third larger than in pre-war years while shipments of butter are about two and one-half times the pre-war volume.

The great expansion in world production of vegetable oil materials is also of special significance in relation to American lard exports. Between the periods 1909-13 and 1925-30 there was an increase of considerably more than 50 percent in the world production of edible vegetable oil. While some of this increase in vegetable oil has been absorbed in the United States the bulk of it has been taken by European countries which constitute our best foreign markets for lard.

The other leading items in the agricultural export trade of the United States, cotton, tobacco, and fruit, have been much less affected by changes in world production than have grain and animal products. This is due, in part, to the possession by the United States of outstanding advantages in the production of cotton and certain types and varieties of tobacco and fruit. Conversely, the principal agricultural deficit countries lack the physical advantages for the production of these products, or, at least, of the same qualities and types grown in the United States, so that import barriers where they exist have not, in general, led to greatly increased production. There has been, however, as will be shown in subsequent chapters, considerable stimulation of the production of tobacco in Continental European countries due to monopoly control measures, and in the British Empire because of the advantage of preferential duties in the British market. Fruit production is also being stimulated in British Empire countries as a result of the preferential duties of Great Britain.

**FOREIGN PURCHASING POWER FOR AMERICAN FARM PRODUCTS
AS AFFECTED BY AMERICAN FOREIGN LENDING AND AMERICAN
TARIFF POLICY**

The purpose of the present section is primarily to consider the effects of trade barriers, other than those applied directly to American farm products, on the foreign purchasing power for those products, and particularly on its decline since 1928. Attention will be directed here to the effects of the American tariff and American lending.

The American tariff—maintained and even increased despite our new status as a creditor nation—limited the increase of American exports up to 1929, contributed to their decline thereafter, and is now one of the obstacles to their revival. To infer from this that the present depression is primarily due either to our tariff or to causes associated with our foreign lending would be erroneous. Nor should it be inferred that the investment of American capital in foreign countries is in itself undesirable. Nevertheless, the conjuncture of our creditor position and our tariff policy has been such as seriously to impede our exports of agricultural and other products.

American exports are paid for in the first instance out of the incomes of consumers in foreign countries. But in order that these payments may be made available to the producers of American goods they must be converted into American dollars and transferred to the United States. The foreign importer must make this conversion or transfer by purchasing American dollars with the foreign money he obtains from the consumer. This he can do only insofar as other foreign business men are ready to sell American dollars which they have obtained through the sale of goods or services to Americans or by borrowing from American creditors. Thus American exports are paid for chiefly by American imports of goods and services and by American loans to foreign debtors. Funds may also be transferred through shipments of gold, but the available gold supplies are extremely small in relation to world trade. The American tariff, subsidies to our merchant marine, and other barriers to the purchase of goods and services from abroad, tend to make it more difficult for foreigners to make payments to us.

Before the World War the United States was a debtor country. It paid interest and principal on its foreign debts by an excess of exports over imports. About 49 percent of the total exports consisted of agricultural products in the years 1909–13. The United States emerged from the war a leading creditor nation. But although large sums were due to be repaid by foreign debtors, this country continued to have a substantial excess of exports over imports. A growing export of industrial products was added to continued large exports of agricultural products. The United States did not admit sufficient imports both to enable foreign countries to pay for the growing exports from the United States and to permit the debtor countries to pay principal and interest on their debt. In the face of a growing debt of foreigners to Americans the American tariff was successively raised in 1921, 1922, and 1930. Under these conditions the continuation of a considerable excess of exports over imports was made possible only by further American

lending to foreigners and by large expenditures of American tourists in foreign countries.

Since 1929 both the imports and the foreign lending of the United States have greatly diminished.¹² As a result, foreign debtors have had difficulty in making payments to American creditors. Insofar as they have succeeded in doing so, this has been made possible by a reduction of American exports even greater than that of American imports.¹³ The need of the debtor countries to secure, in the face of a declining demand for their exports, a surplus of exports over imports with which to pay their debts has provided them with a strong motive for the reduction of their imports by means of trade barriers.

Figures 4 and 5 indicate in a general way the relation between the exports of capital (foreign lending) of the United States, and the exports both of commodities in general and of farm products.¹⁴ It will be seen from figure 4 that there has been a fairly close correlation between the net exports of long-term capital and the excess of commodity exports over commodity imports. The explanation of this is that by borrowing in the United States, foreign countries are able to buy more from us than they sell to us. Partly for the same reason there is also some correlation between our total exports and our exports of long-term capital. The latter correlation is, however, also due to the fact that a rapid flow of long-term capital into foreign countries has often coincided with increasing business activity throughout the world, which, by increasing the amount of purchasing power, has tended to stimulate both imports and exports. Figure 5 illustrates the fact that our exports of farm products, like those of commodities in general, have been influenced by our foreign lending.

AMERICAN FOREIGN LENDING FROM 1914 TO DATE

In the following discussion the development of American foreign lending is described in its relation to our exports of farm products and to the rise of trade barriers in foreign countries.

1. *The war period (1914-20).*—Prior to the World War the United States was, as has already been indicated, a debtor country. Our exports exceeded our imports by about half a billion dollars annually, on the average, during the period 1910-14, and by means of this excess we obtained funds which were used in part to pay interest to our creditors. After the outbreak of the war in Europe in August 1914, however, the position was rapidly changed. American securities held abroad, which were principally in the hands of citizens of Great Britain, were sold in the United States. Thus Great Britain reimported the capital which had previously been exported to the United States, in order to finance her own military

¹² The decline of tourist expenditures has been less marked.

¹³ And in part also through the withdrawal by foreign bankers of funds held on deposit in American banks.

¹⁴ Estimates of net export of long-term capital shown in figs. 4 and 5 are those made by the Department of Commerce, and published in the annual bulletins on the Balance of International Payments of the United States. No such estimates were made before 1919; those from 1919 to 1921 are less complete than those for subsequent years and are therefore indicated by a lighter line in the two figures. Imports and exports of commodities shown in the chart include silver as well as merchandise, and the figures for 1922 and subsequent years are the "adjusted" exports and imports as estimated in the Department of Commerce bulletins mentioned above.

activities and those of her allies. So rapidly was capital consumed in this process that by the time the United States entered the war in April 1917 we had become a creditor nation. The allies had used up nearly all of their holdings of American securities and had in addition floated loans in the United States amounting to a billion dollars.

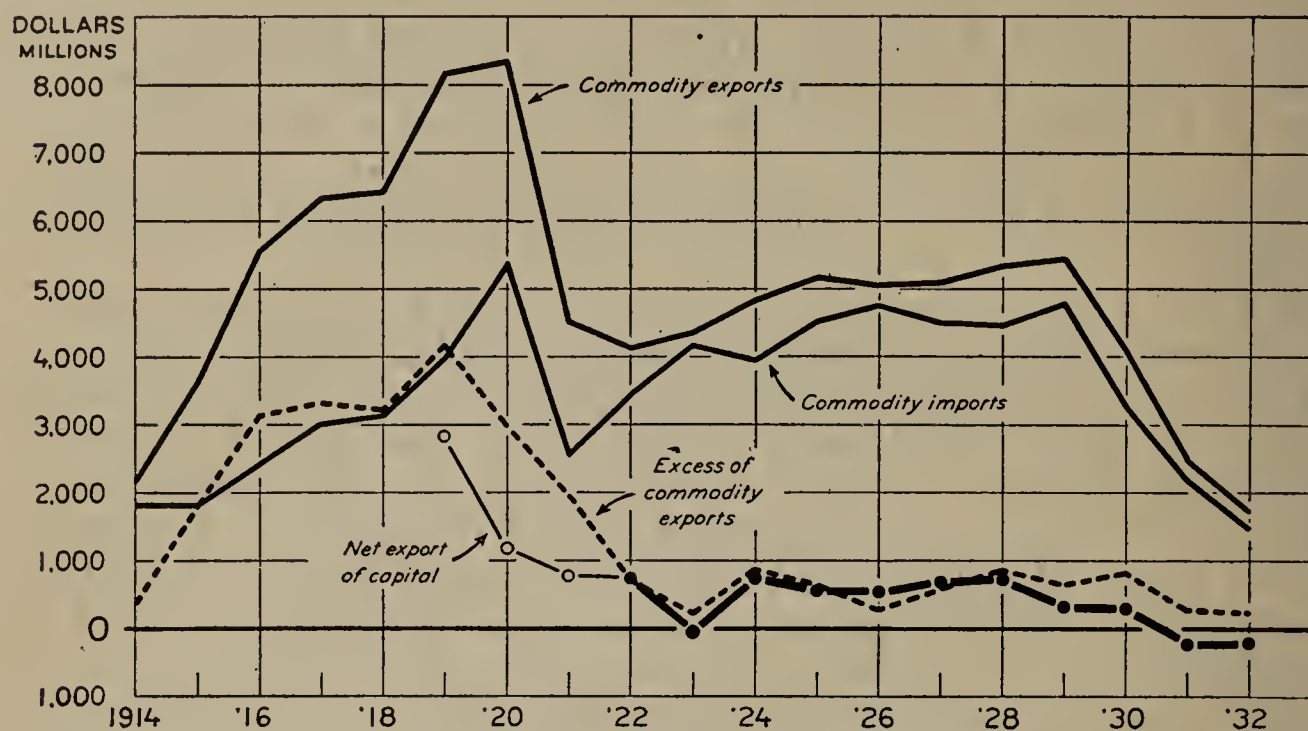


FIGURE 4.—UNITED STATES COMMODITY EXPORTS AND IMPORTS AND NET EXPORTS OF LONG-TERM CAPITAL.

The funds thus obtained were used largely for the purchase of food and munitions from the United States, and in 1916 the surplus of our exports over imports had increased to over three billions.

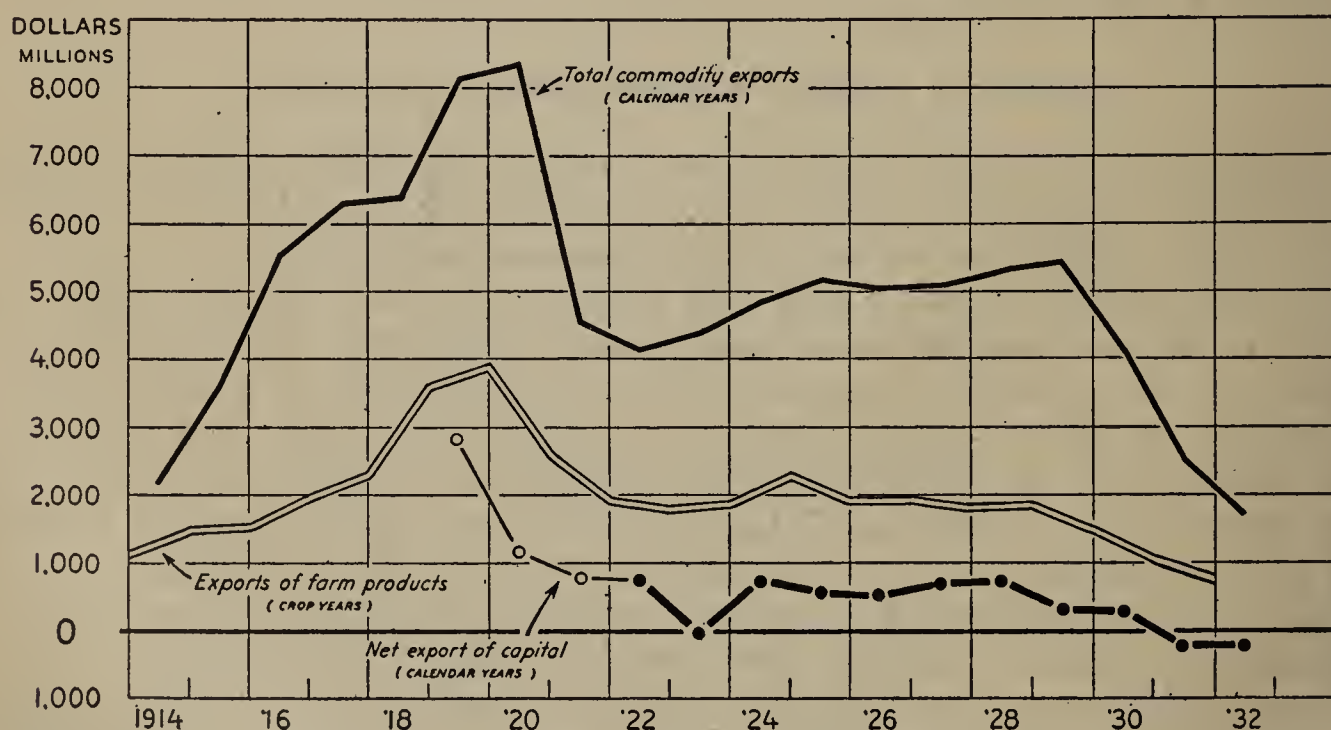


FIGURE 5.—UNITED STATES EXPORTS OF FARM PRODUCTS, TOTAL COMMODITY EXPORTS, AND NET EXPORT OF LONG-TERM CAPITAL.

During the period in which the United States was at war, and subsequently till near the end of 1920, loans were made by the United States Government to various European countries amounting to over 10 billion dollars. These loans made possible a still further increase in the excess of our exports over our imports. In the year 1919 the value of total United States exports was actually a little more than

twice that of total imports. The increase of our total foreign trade, both exports and imports, during this period (see fig. 4) was due to the rise of prices and the stimulation of business activity which resulted from the immense war expenditures of our own and foreign governments.

The expansion of American agriculture which took place during the World War was primarily due to the increased European need for imported farm products resulting from the decline of agricultural production in Europe (including Russia) at that time, and to other causes. But it was largely through borrowing from the United States that European countries were able to increase their imports of American farm products. Hence the expansion and prosperity of American agriculture during the war were connected with the export of capital at that time.

2. *The collapse in 1920.*—The cessation of war loans in 1920 was accompanied by the cessation or sharp reduction of other Government expenditures connected with the war both in the United States and other countries. This cessation of expenditures probably precipitated the economic collapse of 1920–21, which in several respects was similar to that of 1929–33 but of much shorter duration and not nearly so severe. Prices and business activity declined sharply for several months. Owing, however, to the ravages of the war there was a great scarcity of capital, which caused investments of American capital abroad to be made in considerable volume in 1921 and 1922, in spite of the confused and unstable economic situation. But in 1922 and 1923 economic conditions recovered much more rapidly in the United States than in the rest of the world, making foreign countries a relatively unattractive field for investment. In 1922 our export of long-term capital was offset to a considerable extent by large imports of short-term capital.¹⁵ In 1923 the movements of capital both into and out of the United States were almost negligible. In view of the decline of foreign lending and of the large debt payments due to the United States from foreign countries, the excess of exports over imports inevitably fell to a very low level. (See fig. 4.)

3. *The period of world prosperity (1924–29).*—By 1924 economic conditions abroad had improved sufficiently to attract American capital. Recovery in Europe was particularly marked after 1924, and European industrial activity in 1925 had approximately reached the level of 1913. Our export of capital during this period, however, was not nearly so large as during the World War.

In spite of the change of the United States from a debtor to a creditor country, the excess of exports over imports during the years 1924–30 was larger, on the average, than during the years immediately preceding the war. This was made possible partly by the revival of our foreign lending, and partly also by the large expenditures of American tourists in foreign countries, as well as other payments to foreigners, such as immigrant remittances, ocean freight payments, etc.

¹⁵ The export of long-term capital includes the purchase of foreign securities by American investors, the repurchase of American securities previously purchased by foreigners, and the transfer of funds by American corporations into foreign countries for the building of branch factories. The import of short-term capital includes the placing of deposits in American banks by foreigners, the withdrawal of deposits from foreign banks by Americans, the making of short-term loans by foreigners to Americans, and the repayment by foreigners of short-term loans obtained from Americans.

Meanwhile exports had begun to increase in 1922, and continued to increase till 1929. The increase was made possible partly by tourist expenditures, foreign lending, and other payments that account for the excess of exports over imports, but largely also by the increase of imports. The latter took place in spite of the raising of the American tariff by the Emergency Tariff Act of 1921 and the Tariff Act of 1922. Although the tariff severely restricted imports of manufactured products, there was a considerable increase in the imports of nondutiable raw materials, such as rubber, silk, and coffee. This resulted mainly from the increase of the national income from 1922 to 1929, but partly also from Government restrictions in countries producing some of these raw materials, which temporarily raised the prices of such products and hence also the value of American imports. Thus the effects of the tariff, in conjunction with the creditor status of the United States, on our total exports were not acutely felt during this period, owing to the increase of imports of nondutiable commodities, of our foreign lending, and of other payments by Americans to foreigners.

It will be seen, however, in figure 5 that the increase of total exports was not accompanied by a sustained increase of the exports of farm products. World prices of farm products during the period in question were tending to decline in relation to the prices of other products. But the failure of the value of agricultural exports to increase was also due to the decline of the quantity of exports of grains and animal products. As indicated in the preceding section, this resulted from the increase of foreign agricultural production not only in deficit countries, where agriculture was protected by trade barriers, but also in such surplus countries as Canada, Argentina, and Australia, where it was not. The fact that agricultural production expanded more rapidly in the three latter countries than in the United States during the period in question was probably a consequence, in part, of the fact that the United States was a creditor country, whereas the other countries were debtor nations.

American foreign lending during this period was to have a significant bearing on world economic conditions and on the rise of trade barriers after 1929. Net imports of private capital by the principal debtor countries during the years 1926-29¹⁶ were approximately as follows in millions of dollars:

<i>Europe</i>			
Germany	2,783	Poland	201
Hungary	244		
<i>Other continents</i>			
Australia	786	Japan	249
Argentina	533	South Africa	164
India	401	New Zealand	112
Canada	301		

Most of these countries borrowed mainly because they were new or relatively undeveloped, with insufficient capital of their own to develop their natural resources. Germany, however, borrowed nearly

¹⁶ From World Economic Survey, 1931-32, published by the League of Nations. Figures for 1924 and 1925 are not available for all countries included.

as much as the rest combined for purposes of reconstruction and reparations payments.

Such was the position of the borrowing countries. The lending countries were fewer in number, and the principal one was the United States. Net capital exports of the three principal creditor countries in the years 1926-29 were as follows in millions of dollars:

United States-----	2, 058
United Kingdom-----	1, 402
France ¹⁷ -----	720

International lending facilitated the expansion of the agriculture of certain new countries in competition with the United States. It will be observed, from the figures of capital imports shown above, that Argentina, Australia, and Canada, the principal agricultural competitors of the United States, were among the principal borrowers. And while the funds which these countries borrowed were to a considerable extent invested in industry, it is probable that the expansion of agricultural production was thereby indirectly aided.

During the years preceding 1929, as international debts accumulated, their payment became increasingly difficult. Many of the debtor countries had incurred so large an indebtedness that they could not, without great difficulty, make the necessary payments of interest and principal otherwise than by obtaining fresh loans. Obligations on account of interest and amortization were due regularly, and covered long periods of years. But there was no assurance that new loans could be obtained with any regularity or for any specified period of years. The debtor countries were therefore liable at any time to be required to make a drastic and difficult readjustment in their balances of trade, involving either a reduction of imports or an increase of exports.

4. *The crisis of 1929 and the present depression.*—The instability of the world's economic system began to show its results in 1929, when stock speculation in the United States and the high interest rates which accompanied it diverted the flow of American capital away from foreign investment. American long-term lending to foreign countries mostly takes the form of flotations of foreign bonds in the United States. In 1929 it became much more difficult than in the preceding years to issue bonds and higher interest rates had to be paid. As a result, foreign lending declined sharply. The prices of agricultural products and raw materials had already declined gradually in 1927 and 1928, but in 1929 they began to fall rapidly.

Early in 1930 a partial revival of business confidence took place. Interest rates became extremely low, and funds began once more to flow between countries. The restoration of confidence, however, was far from complete, and the new long-term loans which debtor countries were able to obtain did not provide them with enough purchasing power to pay for their usual imports. This fact gave rise to a considerable movement of short term capital from creditor to debtor countries. Banks in debtor countries withdrew their deposits from banks in creditor countries in some cases, and obtained loans or deposits from them in others. There was a considerable outflow of short-term capital from the United States in 1930, 1931, and 1932,

¹⁷ Includes only 1927-29.

which largely explains the fact that the excess of exports over imports did not decline as much as the net outflow of long-term capital during these years. (See fig. 4.)

To the debtor countries the movements of short-term capital in their favor afforded little relief, and that at a high cost. So long as their debts were mainly on long term, a stoppage of new loans meant merely that they would need, sooner or later, to obtain sufficient funds through their balances of trade for the payment of interest and principal in specified amounts at regular intervals. Although this in itself was difficult enough where the debts were large, there was added, through short-term debts, a burden of much less calculable extent, for short-term creditors were likely, whenever financial troubles developed, to lose confidence; and in that case all of them would be likely to attempt to withdraw their credits at the same time.

The fall of business activity and of prices, which appeared for a short time to have been arrested, started again in the summer of 1930 and gathered speed. Governments all over the world raised trade barriers in an attempt to protect industries on an import basis against the decline of world prices and of domestic purchasing power. Debtor countries, no longer able to pay their debts by obtaining new loans, were also unable to do so by increasing the value of their exports, in view of the decline of prices and the rise of trade barriers. The only alternative therefore was to reduce imports; and this provided a powerful additional motive for further raising of trade barriers. But although it may have temporarily eased the situation of certain debtor countries, the raising of trade barriers acted as a boomerang, for the stifling of international trade which resulted from the universal adoption of this procedure materially aggravated the situation of every country.

Nor were the major increases in trade barriers by any means confined to the debtor countries. The American Tariff Act of 1930 considerably increased the duties, which were already high, on many commodities, and by making it more difficult for debtor countries to pay their debts provided the appearance of a justification for the raising of tariffs in other countries. Moreover, at the end of 1931 even Great Britain began to depart from the low-tariff policy which had been pursued in that country for over half a century.

An illustration of the way in which governments were acting at cross purposes may be found in the case of wheat. In Australia farmers were exhorted to increase their plantings of wheat in 1930 as a patriotic duty in order to increase their country's exports and help to pay its debts. While Australia, a debtor country, was striving to increase her exports of wheat, France, Czechoslovakia, and Sweden, all creditor countries, added to their restrictions on wheat imports in order to protect their farmers against increasing foreign competition and declining prices. Germany, a debtor country, restricted her imports of wheat, partly to make it easier for her to pay her debts and partly to protect her own farmers. Thus each country was taking measures which injured other countries, and so indirectly also injured itself. In this way practically every government in the world was instrumental in making the depression more severe.

In May 1931 the full consequences of short-term lending began to make themselves felt. The first serious blow to the confidence of short-term creditors was dealt in that month by the news that an important Austrian bank with international connections was insolvent. The consequent rush of creditors to withdraw their short-term loans from Austria was a repetition on an international scale of the phenomena of a run on a country bank. Germany was also involved in the run. In order to meet this situation both the German and Austrian Governments took measures to prevent their citizens from making payments abroad except with the express permission of the Government. These "exchange restrictions", as they were called, were soon adopted also by many other countries and have become one of the principal hindrances to international trade. German bankers also concluded the famous "standstill agreement" with their short-term creditors, in which the latter, realizing that they could not hope to withdraw their funds, agreed to renew their loans till February 1933. The agreement has twice been extended and is still in effect.

Meanwhile the Bank of England had granted liberal credits to German and Austrian banks in an attempt to check the run on them. As a result of the standstill agreement these credits became frozen. Now a considerable part of the funds which had thus been loaned by the Bank of England had been obtained by loan from France, and the French, realizing that their credits had been frozen through a freezing of the British credits, started a run on the Bank of England. The United Kingdom, therefore, was faced with the alternatives of adopting exchange restrictions similar to those of Germany or of allowing the pound sterling to depreciate in relation to gold. The latter alternative was chosen. In September 1931 sterling went off the gold standard. Since then most of the countries which had not previously abandoned the gold standard have done so either by allowing their currencies to depreciate as was done by the United Kingdom or by adopting exchange restrictions, as was done by Germany.

The widespread adoption of exchange restrictions which began in the summer of 1931 has greatly intensified the decline of international trade. Not only are exchange controls an extremely severe form of import restriction in themselves,¹⁸ but they have also led to the intensification of other forms of import restriction, partly through retaliation, and partly through the efforts of countries which have had their exports reduced by exchange restrictions in other countries to protect their balances of international payments.

THE BALANCE OF INTERNATIONAL PAYMENTS OF THE UNITED STATES DURING THE PRESENT DEPRESSION

The depression has produced several highly important changes in the balance of international payments of the United States. Instead of being a net exporter of long-term capital as before the depression, the United States has, during the years 1931 and 1932, imported more capital on long term than it has exported. This import of capital has consisted in large part of the repayment by foreigners of some of the capital previously borrowed in the United States. Our im-

¹⁸ For a further discussion of these measures and their effect on international trade, see the section on exchange regulation and currency depreciation in ch. III.

ports of commodities have diminished greatly in value. This is due in large measure to the exceptionally great decline in the prices of those raw materials and tropical products (rubber, silk, coffee, etc.) which constitute the major part of our imports. Thus foreign countries have lost a very large part of their sources of purchasing power for American products. This loss of purchasing power has been offset to some extent by an export of short-term capital from the United States, but this must necessarily be temporary.

TABLE 9.—*The balance of international payments of the United States, 1924–28 (average), 1931 and 1932*

[In millions of dollars]	
Credits (1924–28) :	
Exports of farm products.....	1, 952
Other commodity exports.....	3, 158
Net interest receipts (including principal on war debts).....	682
Net import of short-term capital.....	46
Net export of gold ¹	38
Total	5, 886
Debits (1924–28) :	
Total commodity imports.....	4, 448
Net miscellaneous invisible items ²	777
Net export of long-term capital.....	649
Total.....	5, 874
Credits (1931) :	
Exports of farm products.....	821
Other commodity exports.....	1, 660
Net interest receipts (including principal on war debts).....	649
Net import of long-term capital.....	218
Net export of gold ¹	166
Total.....	3, 514
Debits (1931) :	
Total commodity imports.....	2, 197
Net miscellaneous invisible items ²	773
Net export of short-term capital.....	709
Total.....	3, 679
Credits (1932) :	
Exports of farm products.....	662
Other commodity exports.....	1, 055
Net interest receipts (including principal on war debts).....	492
Net import of long-term capital.....	217
Total.....	2, 426
Debits (1932) :	
Total commodity imports.....	1, 476
Net miscellaneous invisible items ²	608
Net export of short-term capital.....	371
Net import of gold ¹	91
Total.....	2, 546

¹ Including earmarking of gold and currency movements.

² Includes tourist expenditures, immigrant remittances, freight payments, governmental transactions other than war-debt receipts, charitable and missionary contributions, and other items.

An increase in our exports or even their maintenance at the present level is therefore contingent on an increase of the value of our imports, perhaps accompanied by a revival of our foreign long-term lending. In the long run, however, even long-term lending will tend to make an increase of the value of imports necessary in order to avoid a decline of exports. For the longer foreign lending continues, the greater will be the payments on account of interest and amortization which must be made to the United States; and such payments can be made only out of the proceeds of the sale of goods and services to the United States.

Table 9 and figure 6 show the relative magnitude of the principal items in the balance of our international payments during the period from 1924 to 1928, and during the years 1931 and 1932. For each of the three periods included in the figure the bar on the left entitled "Credit" represents payments made by foreigners to Americans, and that on the right entitled "Debit" represents payments made by persons resident in the United States to foreigners.¹⁹

Most of the items in figure 6 are net items, representing the credit or debit balance of payments of a certain kind. Thus the part of each credits bar representing interest payments shows the excess of interest payments made by foreigners to Americans over those made by Americans to foreigners. Exports and imports of commodities, however, have been shown as gross items, instead of merely showing the excess of commodity exports over commodity imports on the credit side, in order to make it possible to show exports of farm products as a separate item.

As is natural for a creditor country, the payments other than capital transactions, interest payments and gold movements show a balance on the debit side. To distinguish these from the rest, on the chart they have been shown in black (with white stripes in part).²⁰ Capital and interest payments are shown with black shading on a white background. The balance in favor of foreigners on the items shown in black enables them, in part, to pay their interest and other debt obligations. During the period 1924-28, however, a considerable part of the balance required by foreigners to pay interest was supplied by our net long-term lending. During the depression, since our net export of long-term capital has been converted into a net import,²¹ the debit balance of the items shown in the black parts of the bars have inevitably tended to increase. In terms of imports and exports of commodities this means that our exports have declined more rapidly than our imports and the excess of the

¹⁹ Foreigners can obtain funds with which to make payments to Americans only by receiving payments (or credits, which involve a payment, either direct or indirect) or by drawing on their stocks of gold. Thus if payments made by Americans to foreigners exceed payments made by foreigners to Americans, the balance must be paid in gold (actually some very small amounts are paid in United States currency which foreigners have in their possession). Therefore the total on both sides, including payments in gold, must balance. In figure 6 an inflow of gold to the United States is treated as if it were a commodity import. Thus in 1932 foreigners, in the net, sold gold to the United States and used the proceeds to make certain payments, the gold import thus appearing on the debit side.

²⁰ The item entitled "miscellaneous invisible items" consists mainly of the excess of expenditures by American tourists abroad over payments by foreign tourists in the United States, the excess of ocean and lake freight payments to foreigners, and immigrants' remittances.

²¹ It is clear that while exports of commodities are shown on the credit side (since payment for such exports is made to Americans) exports of capital must be shown on the debit side, since they involve payments (in the form of loans) to foreigners.

latter over the former has diminished. But the change has been postponed in part by the large export of short-term capital from the United States.²²

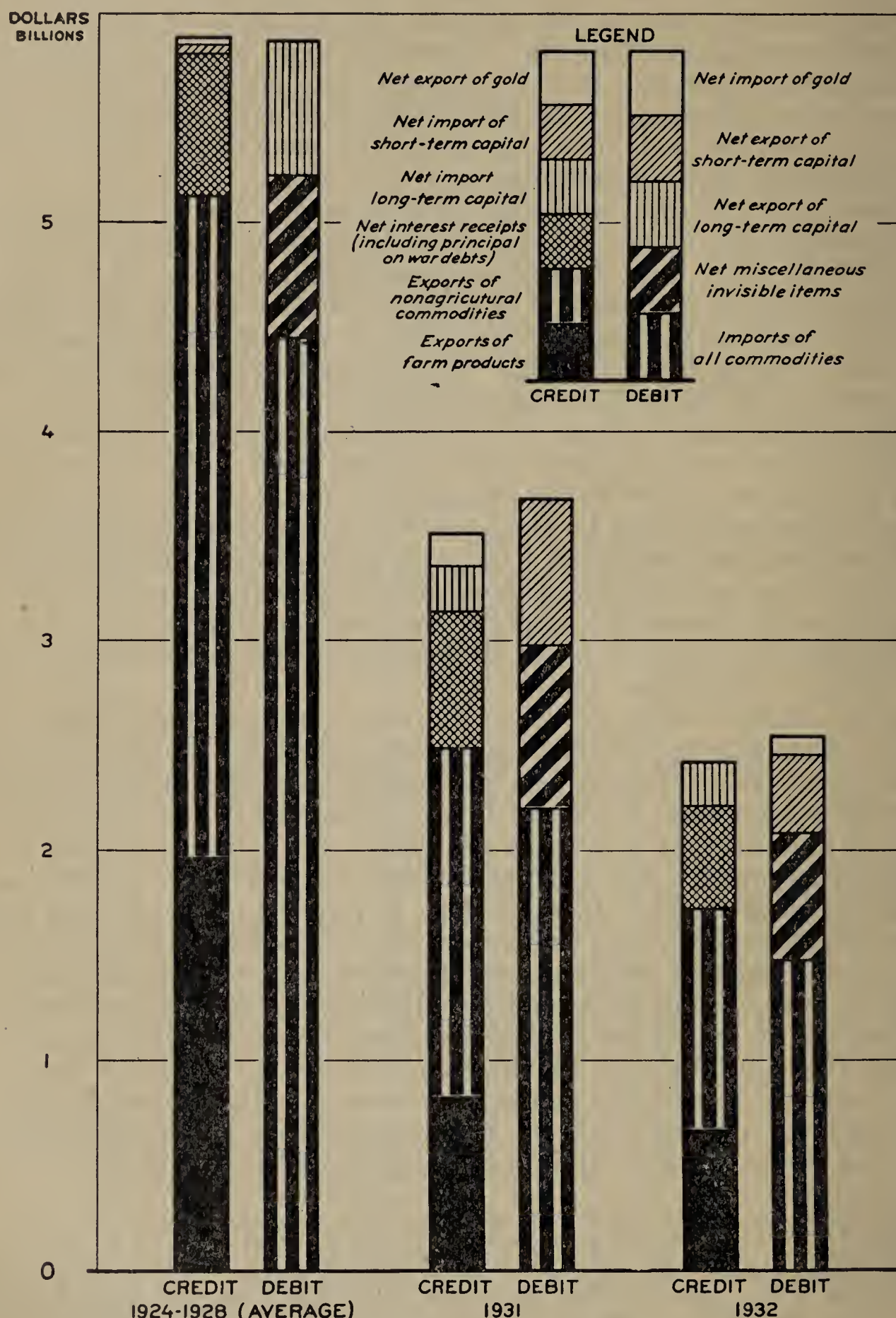


FIGURE 6.—UNITED STATES BALANCE OF INTERNATIONAL PAYMENTS.

This export of short-term capital suggests the effect of the decline of American imports on foreign purchasing power for American products. The decline of United States imports, together with the

²² The phrase "export (or import) of short-term capital" is here defined as a change in the net debt of American banks to foreigners. Foreigners have, in fact, been making payments to the United States by drawing on their deposits in American banks or by obtaining bankers' loans in the United States.

disappearance of American long-term lending, has made it necessary for foreigners to withdraw their balances in American banks or to borrow from them in order to pay for American exports. Consumers in foreign countries have been willing to pay in their own currencies for a certain quantity of goods imported from the United States, but foreign bankers have been able to transfer the whole of these payments only by realizing such of their assets as were held in the form of deposits in American banks or by borrowing from American banks. This process has forced banks in foreign countries to reduce their holdings of liquid assets, thus providing an added necessity for deflationary measures in some countries and an added depreciation of currencies in others. It has also provided a motive for the imposition of new trade barriers. A result in each case has been a further reduction of foreign consumers' ability to buy American goods.

CHAPTER II

WORLD TRADE BARRIERS DURING THE POST-WAR PERIOD

Broadly speaking, the situation with respect to world-trade barriers during the post-war period has included three major phases.²³ The first few years after the cessation of hostilities, up to about the year 1925, were characterized by severe restrictions on trade surviving from or growing out of the war period. The next few years, up to 1929, were characterized by a general trend toward tariff stabilization and a moderation of previous upward tendencies with respect to trade restriction. The third period, the period since 1929, has been marked by a new upsurging of restrictions on trade which has carried them beyond any point ever before attained in modern peace times. Such, briefly, have been the main trends with respect to trade barriers as a whole.

In the case of agricultural products, however, the trends have not always coincided with those in respect to other products. In the earlier post-war years the restrictions on trade in agricultural products were much less severe than were those on industrial products, indeed were less severe than during the pre-war period; whereas in recent years they have been the predominant feature in the rapid rise of new barriers. But this distinction between agricultural and nonagricultural restriction is one that can easily be overstressed, inasmuch as all barriers to trade, whether or not directly applicable to agricultural products, cannot but tend to diminish agricultural trade. Countries which, on account of trade barriers and reduced purchasing power in foreign markets, cannot export industrial products to other countries obviously cannot be expected to import from those countries so much in the way of agricultural or other products as they otherwise would. Hence it is pertinent in the present connection to show the course of developments with respect to both agricultural and nonagricultural products.

THE PERIOD FROM 1918 TO 1925

The period from 1918 to 1925 was one of extremely high tariffs and of severe trade restrictions of other sorts. The spirit of intensified political and economic nationalism aroused by the World War; the creation of new states aspiring to economic self-sufficiency; the instability of national currencies in both new and old states and the desire to stabilize the foreign exchange value of their currencies through trade control measures designed to maintain favorable or to reduce unfavorable trade balances; the desire in the older states

²³Among the various sources consulted in preparing this chapter, the annual tariff reviews published by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce, U.S. Department of Commerce, have proved especially helpful.

to protect reviving industries or to shelter new ones that had sprung up during the war; the greatly increased needs of the former belligerents for revenue; and the disposition to raise tariffs in anticipation of a period of post-war tariff bargaining: all were factors tending to foster a general tightening of restrictions on trade.

The creation of new states out of portions of the former Austro-Hungarian and Russian Empires, accompanied as it was by high customs barriers around each state, meant a break-up of the former territorial division of labor and of former channels of trade in that area of Europe; and the currency difficulties which these states and some of the older states encountered, led to a further tightening of their foreign-trade controls. Requisitions, priority systems, import prohibitions and restrictions, price-fixing, government monopolies, and yet other measures were employed. Even on exports many governments maintained restrictions or prohibitions for the purpose of preventing an excessive outflow, to countries with stronger currencies, of supplies of foodstuffs and raw materials needed at home. On the side of both imports and exports the greatest hindrance to trade arose from the disordered state of currencies, due both to their instability in relation to the contractual basis of trade and to the artificial trade controls that they engendered. In the new states, and in the older central European countries as well, direct restrictions and prohibitions on trade persisted in marked degree well after they had been relaxed or abandoned in western Europe. It was not until Germany abolished her import and export licensing regime in 1925 (after having stabilized her currency) that they began to disappear in this area; and in eastern Europe many such restrictions continued to prevail after 1925.

In western Europe and in other parts of the world, both among former belligerents and among neutrals, most of the war-time and post-war restrictions and prohibitions had been abolished earlier, only to be succeeded by increased tariffs, antidumping statutes, and other regulations interposing formidable obstacles to the resumption of international trade. Industries that had languished or been severely disorganized during the war demanded tariff shelter in order to foster their post-war revival. Moreover, new industries that had sprung up or old ones that had been expanded in response to war needs sought by means of new restrictions on trade to perpetuate the gains made during war time. In France, Italy, and various other countries of western Europe the removal of the severe war-time restrictions on trade was followed by increases in tariff rates through both legislative and administrative action. Even the United Kingdom enacted special measures to check foreign dumping, to restrict imports from countries with depreciating currencies, to protect "key" industries, and to form the basis of further preferences in the British market to imports from other parts of the Empire.

In general, however, agricultural products did not share in this tightening of trade restrictions in the earlier post-war period. During the war many of the belligerent countries had removed their previously existing duties on essential foodstuffs and raw materials. For several years after the close of hostilities the needs of a number of these countries for imported foodstuffs and raw materials continued to be so great, their progress toward restoring domestic production

to its pre-war dimensions so retarded by the economic and financial disorganization wrought by the war, that they were compelled to continue old or to adopt new measures, partially or entirely suspending protective duties on such products. Some countries which applied an automatic system of increases to most of their tariff schedules in order to offset foreign currency depreciation refrained from applying it to foodstuffs, so that the gold equivalent of the duties on foodstuffs was actually reduced. Moreover, with prices of many farm products higher than before the war, specific duties that were left unchanged became lower than pre-war in terms of their ad valorem equivalent.

Sometimes more positive measures were taken to keep food prices down. In some of the newer states the policy of fostering industrial and urban expansion through the intervention of government led to the application of restrictions on exports of foodstuffs partly or exclusively for the purpose of keeping down costs of living for the non-agricultural population. As time passed and conditions became more stable many of these European countries began to take measures to support prices of domestic farm products. But in the earlier post-war years the prevailing tendency was otherwise. By and large, in Europe at least, import restrictions on agricultural products were less severe than before the war. In the United States, however, the Emergency Tariff Act of 1921 and the general Tariff Act of 1922 included large increases in the duties on agricultural products. Insofar as these duties could be effective, they represented, of course, a tightening of the barriers to international trade in agricultural products.

An example of the comparative moderation of the earlier post-war tariff restrictions on agricultural products is afforded by wheat. A survey by the United States Department of Commerce in 1924 included a study of pre-war and post-war tariff duties on American wheat in 20 leading wheat-importing countries.²⁴ These 20 countries took 97 percent of our wheat exports in 1910-14. Table 10 gives a comparative summary of the findings for the two periods.

TABLE 10.—*Foreign tariff levels on United States wheat exports in leading wheat-importing countries in 1913 compared with 1922*

Rate category	1913		1922	
	Number of countries	Percent of total United States wheat exports	Number of countries ¹	Percent of total United States wheat exports
Duty-free.....	8	69	10	66
Up to 15 cents a bushel.....	5	3	6	20
15 to 35 cents.....	2	4	3	13
Over 35 cents.....	5	24	2	1

¹ Includes 21 countries, owing to the creation of Poland as a new state after the war.

On the basis of the figures in table 10, it is clear that our wheat exports were receiving more liberal tariff treatment in foreign countries in 1922 than in 1913. To be sure, only 66 percent of our exports

²⁴ U.S. Department of Commerce Trade Information Bulletin No. 233, Survey of World Trade in Agricultural Products, no. 5, June 1924.

went to free markets in 1922, as compared with 69 in 1913. But of the remainder, virtually all went to countries levying duties of less than 35 cents a bushel, nearly two thirds going to countries levying less than 15 cents, whereas in 1913 the bulk of the exports going to duty-levying countries paid more than 35 cents a bushel. Of the four European countries with duties in excess of 35 cents prior to the war—Germany, Italy, France, and Spain—the first two had continuously suspended their duties between 1914 and 1922.

The same study by the Department of Commerce revealed a similar situation with respect to meat and lard. In 10 of the 12 principal foreign markets American meat products were receiving in June 1923 at least as favorable treatment as in 1913. Some of these 10 were paying lower duties or none at all. France, Germany, and Italy, which had imposed relatively high duties on such products before the war, were admitting most of them free of duty. Of bacon and ham this was true in respect to all three countries, but only Italy and Germany admitted lard free and only France and Germany freely admitted beef and mutton (which are unimportant in our meat exports). In France and Germany this free admission was a continuation of the war-time suspension of duties; in Italy it had not gone into effect until in 1923, as a means of keeping down the cost of living. In the case of lard, two of the three countries taking the greater part of our exports—Cuba and the United Kingdom (the latter granting free entry)—had not increased their rates, and the third (Germany) had suspended its rate.

THE PERIOD FROM 1925 TO 1929

No precise date can be assigned, but toward the middle twenties there set in a noticeable trend toward tariff stabilization and moderation which may be taken to represent the second phase of the post-war developments in this field. It can hardly be said that this period from 1925 to 1929 was one of world-wide reduction of trade barriers, since, generally speaking, barriers still remained high throughout. But it did witness a slowing down of earlier upward tendencies; achievement of more stable conditions of trade, including greater tariff stability; and in some cases actual reduction of barriers.

One manifestation of this trend was the further elimination of direct restrictions that were still fettering trade. In central and eastern Europe many of the more drastic restrictions on foreign trade—direct restrictions which had persisted in this area well after their abandonment in western Europe—began to be discarded or mitigated. Late in 1925 Germany, after having stabilized its currency, abolished its import and export licensing regime. In other countries of central Europe, and in eastern and southeastern Europe, there was also a considerable moderation of such restrictions, though by no means a complete abandonment of them.

With respect also to tariff restrictions the obstacles to trade began to show signs of abatement. With the achievement of greater financial and economic stability in Europe after 1924, there was a marked trend toward greater tariff stability. Comprehensive tariff revisions, involving more or less complete overhauling of tariff schedules, became less numerous from year to year; and new commercial agree-

ments were negotiated that tended to give greater assurance against sudden tariff changes. This greater stability in the tariff rates tended in itself to reduce the risks and uncertainties that so greatly hamper trade. Moreover, in connection with such rate changes as did take place, there was a larger proportion of downward revisions, and a smaller proportion of upward revisions, than in earlier years.

Much, though not all, of the improvement that took place in the period 1925-29 from the standpoint of checking previous upward tendencies in trade restriction, dated from the World Economic Conference in the spring of 1927. This conference, technically unofficial but called in the hope of inducing official action, recognized the increasingly widespread dissatisfaction with existing tariff systems, and recommended a general and a nondiscriminatory reduction of tariffs, together with their simplification and stabilization. Partly, this was to be done through independent action by each country—each inspired by, or hoping to inspire, the others. Partly, it was to be done by pairs of countries negotiating reductions on particular articles and extending the benefits freely to all other countries through the operation of the most-favored-nation clause. And partly it was to be achieved through collective agreements for simultaneous reduction.

Throughout 1927, and for 2 years thereafter, the spirit that led to the calling of the conference and the deliberations of the conference itself were reflected in a quickening of international efforts to halt further increases in world-trade barriers. Nor were these efforts wholly without avail, however much the ultimate outcome may have fallen short of original hopes. Indeed, it appeared for a time that the long-awaited reversal of earlier tendencies might at last be under way. In part the liberal trend was manifested in achievement of greater tariff stability, as just noted; in part it was expressed in the adoption of commercial agreements designed to remove or mitigate existing restrictions on trade.

A distinct decline in the number of general tariff revisions set in from 1927. In 1925, and again in 1926, there had been fairly comprehensive tariff revisions in 16 European countries. In 1927 there were ten; in 1928, five; and in 1929, two. This slowing down of general revisions was evidence only of a respite from further increases; it did not indicate an actual lowering of barriers, although in some cases rates were reduced. What happened, in the main, was that projects for large tariff increases were revised or abandoned, and for a time new demands for tariff increases were discouraged.

At the same time there was some progress on the side of bilateral action. There was a distinct speeding up of bilateral tariff negotiations and a wider acceptance of the policy of equality of treatment. The year 1927 has been referred to as "the year of commercial treaties." There was marked progress in the conclusion of commercial treaties tending to give greater stability to tariff rates than previously, though it still remained true that if any rates were definitely "bound" or "conventionalized", it was for only relatively short periods as compared with pre-war times. Especially striking as an indication of the liberal trend was the fact that in these treaties the unconditional most-favored-nation clause, which had

been temporarily abandoned by some European countries after the war, was reestablished as the guiding principle in the new treaties, thus tending to eliminate the granting of exclusive concessions by the treaty countries and to insure equality of treatment to all.

The third approach was to be through multilateral action, and some progress was likewise made from this side. A number of multilateral agreements followed in the wake of the World Economic Conference which, though ultimately falling short of the hopes which originally inspired them, served nevertheless to indicate the spirit and trend of the time. Growing immediately out of the discussions at the Economic Conference was the Convention for the Abolition of Import and Export Prohibitions and Restrictions, concluded at a diplomatic conference in Geneva in November 1927, whereby some twenty-odd countries (including the United States, which ultimately signed and ratified the agreement, the principal European countries, and Japan) undertook "to abolish within a period of 6 months from the coming into force of the present convention all import and export prohibitions and restrictions and not thereafter to impose any such prohibitions or restrictions." The agreement was weakened, however, by a multitude of exceptions; it did not include customs duties; and even though it went provisionally into effect on January 1, 1930, it failed of ratification, and hence remained inoperative, in certain countries of central and eastern Europe where such restrictions were most prevalent.²⁵

The effort to deal with the problem of trade barriers through concerted action was reflected in other activities and agreements. In March 1928 two multilateral agreements were signed by 17 European countries abolishing export restrictions on hides, skins, and bones, and removing or limiting the export duties on them. These conventions were especially significant from the standpoint of technic, in that they represented an attack on the general problem of trade barriers through separate multilateral agreements confined to specific commodities. Other efforts were made, under the auspices of the Economic Section of the League of Nations, to promote multilateral agreements limiting import or export duties, though without much result. In 1929, M. Briand, of France, launched his project for a so-called "United States of Europe", involving the ideal of European economic federation, and especially the scaling down of intra-European trade barriers.

Meanwhile various schemes had been suggested for all-round horizontal reduction of tariffs, for international "tariff holidays," etc. In consonance with the latter idea, 18 European countries, at a so-called Tariff Truce Conference called by the League of Nations early in 1930, signed a commercial convention pledging themselves not to cancel, for 1 year from the date of ratification, any duties bound by commercial treaty with other participating countries and, in the case of countries that were not accustomed thus to bind their rates, undertaking to refrain from increasing their statutory rates for 1 year. Even this very limited agreement failed of ratification by a sufficient number of countries, and it has never gone into effect.

²⁵ It is now in force in only 4 countries: Denmark, Japan, Norway, and the Netherlands. All but these four, plus the United States, Great Britain, and Portugal, withdrew on Jan. 1, 1931; the United States and Great Britain, on June 30, 1933.

THE PERIOD SINCE 1929

The Tariff Truce Conference (technically, the Conference for Concerted Economic Action), though held in 1930, represented a continuation of the earlier efforts to check the rise of trade barriers and hence is mentioned along with the events of preceding years. Meanwhile a new upward trend had begun—a trend that was to carry these barriers to the unprecedented level to which they have now attained. But this time it was agriculture that assumed the lead, whereas in the earlier post-war years it had been other industry. Even before the World Economic Conference, and continuing throughout the period following the conference when the forces making for higher or lower tariff policies appeared for a time to be evenly balanced, a trend toward agricultural protectionism had set in—a trend that needed only the impetus of collapsing prices in 1929 to carry it to the extreme lengths to which it has since gone. It is necessary for the moment, therefore, to go back to the period preceding.

So long as there had been an internal scarcity of foodstuffs in post-war Europe the failure to restrict imports of agricultural products while new restrictions were being imposed on other products was not a source of great anxiety to European farmers. In spite of the unequal tariff treatment accorded them, farmers were able to secure relatively satisfactory prices. But with the adoption of the new German tariff law in 1925, which reimposed high duties on food imports, a new trend toward agricultural protectionism set in. Impelled partly by the desire to protect its farmers and partly by the need of restricting imports in order to attain a favorable trade balance for making external payments on its foreign reparations and debt accounts, Germany continued, through partial tariff revisions, to tighten its import restrictions on agricultural products during the next 4 years. Meanwhile, other European countries began tightening theirs. In 1926, and again in 1927, France made general tariff revisions which included marked increases on agricultural items. In Italy no general upward revision took place; but in 1925 a duty was reimposed on wheat, and this was further increased by subsequent revisions. In other countries there were likewise tariff increases on agricultural products.

This tendency toward increasing agricultural protectionism in Europe, to repeat, was already under way before 1929. But from the middle of 1929 any further doubt as to whether the forces making for a further rise of world-trade barriers would triumph over those working in the opposite direction was banished by the steady deepening of the depression, and in particular the rapid descent of prices of raw materials and foodstuffs. From that time restrictions on trade, as well as other forms of intervention, began to multiply at a rapid rate. Countries that had been endeavoring to protect their domestic agriculture by tariff and other import restrictions hastened to tighten these barriers as world prices of competing agricultural staples declined. As this occurred the position of the exporting countries became more difficult. Especially was this true of the nearby agricultural states of eastern and southeastern Europe. Confronted by increasingly severe competition from overseas countries

and from Russia, and also by the gradual closing of their nearby markets, these countries were compelled to see their unsalable surpluses of cereals mount to alarming proportions. This, in turn, led to the adoption, one by one, of a series of artificial schemes in aid of exports which have occupied the foreground of developments in those areas since that time.

Meanwhile, especially among the so-called "debtor countries", there was a marked tendency to tighten import restrictions in the hope of providing favorable or active trade balances from which heavy overseas financial commitments could be met. As the depression deepened, the difficulty of making international payments became constantly greater. The result was an ever-increasing scale of government intervention either to restrict imports or to aid exports, or both. This was still further accentuated in many countries by new tariff increases to check declining government revenues and to aid in balancing national budgets. Once under way, this regime of intervention—of restriction and counter-restriction, aid and counter-aid—acquired unprecedented proportions. Yet its only result, so far as the general world situation was concerned, was to deepen the world decline; hence the whole process became cumulative. Finally, in the summer of 1931 came the financial collapse in Europe and in its train the application throughout Europe, as well as in other parts of the world, of a network of arbitrary controls over foreign trade on a scale unparalleled in modern peace time.

Such, in brief, was the broad trend of events from 1929 to the present time. Before taking up in detail in succeeding chapters the nature of the measures now in effect, it remains to point out some of the concrete manifestations of this recent trend.

Throughout 1930 the renewed upward trend in trade barriers and other forms of trade control which had gotten under way a year earlier, manifested itself in a rapid tightening of import restrictions and in widespread adoption of measures designed to aid exports, with agriculture playing the leading role in both instances. On the side of import restrictions the tightening of barriers took the form partly of tariff increases and partly of more drastic forms of restriction. In 1930 every country of continental Europe, except two, made partial or comprehensive tariff revisions, predominantly upward. Six of these countries made general revisions, of which three were predominantly downward; and some of the selective revisions were also downward. But considering the revisions as a whole, the trend was upward. Especially prominent were the revisions of the agricultural schedules. In only about half the countries where tariffs were increased were changes effected in the rates on various groups of manufactured products; whereas in all but 5 of the 24 countries making tariff changes, agricultural products played a prominent part. Most of the grain-importing countries increased their duties on wheat and flour at least once during the year.

More striking, however, was the rapid adoption of more drastic forms of restriction. Already under way prior to 1930, the trend toward agrarian protectionism in the food-importing countries was greatly accelerated by resort to direct quantitative control of imports. Various countries adopted, or continued from the preceding year, milling regulations requiring the admixture of stipu-

lated minimum percentages of domestic wheat in the manufacture of flour for domestic use. By the end of 1930 five countries on the Continent had such regulations. This same general principle was extended in some instances to other products. To the two countries that already had import licensing systems for cereals, a third was added. Several countries maintained government monopolies of trade in one or more grains. And in some countries authority was granted to administrative officials to make flexible adjustments of the duties on cereals and other foods as circumstances might require.

In other parts of the world there was likewise a tightening of import restrictions throughout 1930. In the British Dominions—notably in Canada and Australia—drastic upward tariff revisions occurred, in some cases reinforced by restrictive customs regulations and licensing controls, with such motives as protectionism, the need for balancing international payments and protecting the exchange value of currencies, and the need for revenue, all playing varying parts. In Latin America, revenue needs and the desire to support falling currencies were the chief motives for many general or partial upward revisions. In the Orient revenue needs were chiefly responsible for raises in rates. The tariff increases in these various non-European areas included many on agricultural products; but since many of the countries were surplus areas in respect to agricultural production, the increases on agricultural products, though often individually significant, were on the whole less important in their effects than were those that had been adopted in the food-importing countries in Europe.

Meanwhile the low level to which agricultural prices had fallen led to new efforts on the part of various exporting countries to bring relief to their distressed farming populations through government intervention. In the United States the stabilization operations of the Federal Farm Board got definitely under way. In Canada the provincial governments, and later the Dominion Government, were compelled to come to the financial assistance of the provincial wheat pools in the marketing of the 1929–30 and 1930–31 wheat crops. Among the chief sugar-exporting countries negotiations for an accord to restrict sugar exports with a view to bolstering world prices were initiated, culminating in the so-called “Chadbourne Agreement” in the spring of 1931. In several of the Danubian countries new and striking measures were launched for the relief of their wheat growers. In Hungary and Yugoslavia schemes were inaugurated whereby the growers were accorded prices above the world level (in the case of Hungary, the equivalent of higher prices, in the form of coupons redeemable in tax credits and cash), the burden being assessed upon domestic taxpayers and domestic consumers of flour. From that time, also, there developed a program of concerted economic action on the part of the Danubian countries (Hungary, Rumania, Yugoslavia, and Bulgaria), together with Poland—the group being commonly referred to as the “eastern European agricultural bloc.” The central feature of this program was the development of a concerted policy for the conclusion of preferential tariff agreements with western European countries for the purpose of securing better export outlets for their grain and other surplus agricultural products.

The trends that had been under way during 1930 continued throughout the early part of 1931, and after the middle of the year were greatly intensified by the world financial crisis that had set in early in the summer. As the world depression continued to deepen, strictly protectionist motives for further tightening of trade restrictions were increasingly overshadowed by financial and fiscal motives. Even before the crisis broke there had been some tendency in this direction. With their trade, both internal and external, rapidly falling off and their entire economic life in the grip of depression, all countries were finding it increasingly difficult to secure adequate revenues to balance their budgets, and most of them were confronted with the additional problem of checking adverse trade balances with a view to protecting their currencies and their general financial solvency.

After the middle of 1931 these latter considerations became wholly decisive in connection with the measures taken by most countries. As country after country went off the gold standard and currencies depreciated, the safeguarding of gold reserves from further inroads by reason of adverse balances in its international accounts became the dominant concern of each. In the effort to promote more favorable trade balances and to conserve the exchange parities of their local currencies, such countries might have sought either to encourage their exports or discourage their imports. But since each country could exert its sovereign powers more effectively to keep out imports than to compel others that were equally anxious to keep out imports to take its exports, the chief result in fact was a rapidly cumulative system of import restriction. From the middle of 1931 onward a period set in, and still continues, during which a vast proportion of the international trade of the world has been literally wiped out of existence.

Increases in tariff rates have been an important part, though not the most striking feature, of this drastic tightening of restrictions. Wherever the desire to increase government revenues by increased levies on imports has been an important consideration, the new restrictions have necessarily taken the form of duties or other import charges, rather than of downright exclusion of goods. In many of the Latin American countries, in certain European countries, and in some of the British Empire countries (notably New Zealand and British India) this has been the chief factor responsible for increased rates. Sometimes the increases have taken the form of straight horizontal advances, as in Italy, Holland, New Zealand, British India, and other areas. Moreover, many countries have levied or increased other charges on imports (general sales taxes, luxury taxes, excise taxes, etc.), as for example the sharp advances in the Australian sales tax and primage duties on most imports. But protectionism has also been an incentive to many of the increases. In some of the Latin American countries it has played an important part. In Canada and South Africa it appears to have been the chief motive for partial upward revisions. In the United Kingdom, where it was strongly reinforced by the desire to check the decline of British exchange, it led to the abandonment of "free trade," late in 1931, by the very country which for so many years had clung steadfastly to that policy in a world in which protectionism had become almost universal.

The most striking development since the summer of 1931, however, has been the widespread application of more drastic forms of control. Devices that had been used to control trade during and immediately after the war were revived on all sides, and new ones invented. By the end of 1931 some 10 European countries had begun to apply licensing systems to selected imports. Similarly, import quota systems were revived—or further expanded—in many countries: in Czechoslovakia, France, Italy, Latvia, Netherlands, Turkey, Poland, and others. Of particular significance to agriculture was the further extension and tightening of the system of milling and mixing regulations whereby consumption of domestic wheat and other farm products was enhanced, and imports indirectly reduced, by requiring the admixture of fixed minimum percentages of the domestically grown product. Complete prohibitions on some classes of imports and establishment of importing monopolies in some countries (as in Estonia and Sweden) served still further to tighten the system of restriction. But perhaps the most striking and important of all such measures was the establishment of centralized control of exchange on the part of the governments of a large number of the countries whose currencies were depreciating. By limiting and regulating the supply of foreign exchange available to persons wishing to make foreign payments it was sought to check the flight of capital and to conserve the exchange resources of each country for the most essential national requirements.²⁶ Throughout 1932 and into the present year this variegated system of drastic controls over imports was, on the whole, even further intensified.

Meanwhile there was a further intensification of effort on the part of exporting countries to find outlets for their surpluses. In Canada and Australia production bounties were paid on wheat. In Chile and South Africa more or less extensive systems of export bounties were established (in South Africa to offset the relative disadvantages of remaining on the gold standard, while many of its competitors in export trade were on a depreciated-currency basis). Among the Danubian countries, Bulgaria and Rumania followed the earlier example of Hungary and Yugoslavia by setting up schemes for aiding their domestic wheat growers through what was tantamount to export dumping, and all the Danubian countries continued to press their program of negotiation of preferential tariff treaties to facilitate exports of grain and other products, though without marked success. In Rome in March 1931, and in London in May, international wheat conferences were held at which it was sought, unsuccessfully, to ease the pressure of world surpluses upon international markets. In August 1932, at the Ottawa conference, the British Dominions succeeded in obtaining a wide range of preferences in the United Kingdom for their more important agricultural exports in return for the widening of their existing preferences to the mother country. By and large this represented not only an increase in tariff discriminations against the products of countries outside the Empire, but since the widening of preferences took the form more largely of a raising of the barriers against foreign countries than of a lowering

²⁶ As to the manner in which the system of exchange control has been applied and its effects on international trade, see ch. III.

of intrainperial barriers, it represented also an increase in world-trade barriers.

Thus at the present time world trade in agricultural and other products is severely hampered, much of it wiped out, by a conjuncture of financial and of other economic developments in which trade barriers have played a very important part. To the general collapse of purchasing power has been added, through trade barriers, increasing incapacity on the part of exporting countries to obtain access to whatever potential markets for their products still remain; and this, in turn, has further reduced the purchasing power of all.

PART II
TYPES AND POLICIES OF INTERVENTION
AFFECTING AGRICULTURE

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CHAPTER III

IMPORT RESTRICTIONS

The present chapter, together with chapters IV and V, contains a description of the principal types of government measures affecting prices and production of agricultural commodities in the world today, together with an analysis of the consequences which tend to result from their application. For purposes of description, the various measures have been divided into three main classes, as follows: (1) those affecting imports, which are discussed in the present chapter; (2) those affecting exports, described in chapter IV; and (3) those which affect production otherwise than through regulation of imports or exports, described in chapter V.

Of these three classes, import restrictions have been most common and have done most to influence international trade in agricultural products. The recovery and increase of European agricultural production since the World War have been due to import restrictions in some considerable measure. Had it not been for such restrictions in European countries, the geographical distribution of world agricultural production would probably be materially different today. Moreover, the trend of events during the present world depression has been profoundly influenced by the widespread and unprecedented increase in trade barriers which has taken place since 1929. Largely as a result, international trade has decreased considerably more even than world production. Industries on an export basis, by and large, have suffered much more than industries on an import basis in practically every country, even though the latter have been far from immune.

CAUSES AND EFFECTS OF EXISTING TRADE BARRIERS

The world's international trade in farm products consists, in very large part, of the movement of commodities to the agricultural deficit countries of Europe. This is particularly true of those products of the type of which the United States is an exporter. At the same time practically all European countries impose severe restrictions on imports of agricultural products.

The motives for these restrictions are various, but undoubtedly the most important of them is a desire to protect domestic agriculture. Because of the development of agriculture in countries outside of Europe during the past several decades, European farmers have been faced with increasingly severe competition. In more recent years various technical improvements in agriculture have further intensified this competition. The larger nations of continental Europe have for many years adhered to the policy of maintaining or increasing their agricultural populations. Such policies are sup-

ported by a conviction that a substantial number of persons engaged in farming constitutes a valuable and even necessary element in the national life of the country. This view is based partly on sentimental grounds and partly on political and military considerations. A class of prosperous farmers is regarded as a bulwark against revolutionary tendencies and the growth of a propertyless class in the cities. The political power of the agricultural interests is also a factor of the greatest importance, especially where, as in the case of Germany, these interests are represented by a well-educated class of large landowners.

The rapid decline of prices which has taken place since the onset of the depression has given added strength to the drive for agricultural protectionism. Import restrictions have been imposed with increasing severity not only in countries where such measures were formerly of importance, but also in those countries that had previously made little use of them. Great Britain, after pursuing a policy of free trade in agricultural products for over three quarters of a century, adopted a policy of protection in 1931 and 1932. The change, which was precipitated by the financial and political crisis of 1931, was also influenced by the steady decline of farm population, accompanied by a growing volume of unemployment in industry.

Another motive for the present import restrictions on agricultural products is a desire for a "favorable" balance of trade, or a surplus of exports over imports. This is partly due to the traditional fallacy that the prosperity of a country is necessarily dependent upon its having a favorable balance of trade, but partly also to more rational considerations arising from the fact that debtor countries must have a surplus of exports over imports to enable them to pay their debts. Almost every country has used import restrictions as a means of protecting its balance of trade. The choice of this method is influenced at the present time by the extreme difficulty of increasing exports in the face of high and increasing trade barriers and decreasing purchasing power in other countries. Since the financial crisis of 1931 many countries have been making desperate efforts to protect their currencies from depreciation through control of their trade balances. This has given rise to the exchange restrictions described later, and has also contributed to the intensification of other forms of trade barriers.

A third motive of considerable importance is the desire for economic self-sufficiency, which is often a result of the aim to secure an adequate food supply in time of war. During the World War most, if not all, of the European countries experienced either an actual shortage of foodstuffs or a considerable difficulty in obtaining adequate supplies. Among those which suffered an actual shortage were several neutral nations.¹ The desire for economic self-sufficiency, however, is not based entirely on a rational consideration of what might happen in time of war. Self-sufficiency is often sought as an aim in itself—in fact, this is one of the principal manifestations of extreme nationalism. In some countries it is an important political slogan.

¹ The thoroughgoing measures of government assistance to grain growing which have been pursued in Switzerland and Norway since the end of the World War are in part a direct consequence of the difficulties experienced in those countries while the war was in progress.

Certain European countries levy import duties on agricultural products for revenue purposes. Such duties apply mainly to tropical or semitropical products, such as tea and coffee, or are accompanied by excise duties on the domestic production of the commodity in question. Most of the duties imposed on products of American origin, with some exceptions, as in the case of tobacco, are motivated by other aims.

Finally, trade barriers in some cases are motivated by the desire to retaliate against barriers imposed by other countries, or are used as a weapon in a political dispute. An illustration may be found in the duties imposed by the United Kingdom on agricultural products imported from the Irish Free State. Governments are particularly likely to retaliate against dumping by other countries.² The tariff laws of certain countries authorize the Government to impose by administrative order special duties against goods which are being dumped by foreign countries. Such clauses are contained in the tariff laws of various countries, including the United States, Canada, Australia, and certain European countries.

The direct economic effects of import restrictions are well known and fairly simple. In the country which imposes the restriction the price of the commodity affected tends to be raised, consumption to be reduced, and production increased; imports are reduced by the amount by which consumption is reduced plus the amount by which production is increased. The effect in other countries is the opposite; price tends to be reduced, consumption increased, production reduced, and the exports of exporting countries are also reduced. The imports of importing countries other than the one which imposes the restriction tend to be increased as a result of the tendency to reduce the world price.

Whether the domestic price is raised more or less than the world price is reduced, and to what extent, depends on various factors. Perhaps the most important of these is whether the country in question produces and consumes a large or small part of the world supply of the commodity. A small country, producing and consuming little, will not greatly affect the world price by imposing either an import duty or any other form of import restriction, since the increased production and decreased consumption in that country will add little to the supplies available to the rest of the world. A large country, on the other hand, or a large number of small countries, may seriously affect the world price of a commodity by restricting imports. The effect of an import duty on price, both world and domestic, also depends on the readiness with which production and consumption respond to price change.

In addition to the direct effects of trade barriers on prices, exports, production, and consumption of the commodities to which they are applied, the indirect effects on general economic conditions are extremely important. When a country reduces its imports by trade barriers its exports, as a rule, suffer also. For the ability of other nations to purchase commodities from that country is reduced by the reduction of their exports to it. At the same time trade barriers, by raising the prices of imported goods, tend to increase costs of

² A discussion of export dumping of agricultural products is contained in the following chapter.

living and of production generally, and so to handicap the exporting industries.

Moreover, the raising of trade barriers in some countries is likely to induce other countries to take similar action. During the last few years trade barriers have spread from one country to another like an epidemic. In the first instance this has been due to the decline of prices, but the raising of trade barriers has in turn accentuated the decline for various reasons. When several countries raise a barrier against the imports of a commodity, it reduces the world price and so is likely to encourage other countries importing the same commodity to raise similar barriers. Moreover, many countries, the value of their exports being curtailed partly by the decline of the world price level and partly by trade barriers, have considered it necessary to reduce their imports also by trade barriers in order to maintain a favorable trade balance and protect their currencies from depreciation. Retaliation has also been responsible in part for the spread of barriers from country to country.

METHODS EMPLOYED IN RESTRICTING IMPORTS

The principal methods employed in restricting imports are (1) tariff duties, (2) mixing and linked-purchasing regulations, (3) quotas or contingents, (4) licensing and similar measures, (5) import monopolies, (6) sanitary restrictions, and (7) exchange regulation and currency depreciation.

1. *Tariff duties*.—Before the World War and during the years of prosperity preceding 1930 tariff duties were the principal type of import restriction in all countries that pursued a protectionist policy. Recently other methods have become at least equally important. This does not mean, however, that tariff duties have not become more prevalent and more severe. On the contrary, international trade in farm products is, generally speaking, affected by higher tariffs in a larger number of countries than at any previous time in the world's history. Import duties on American exports of farm products are so numerous that it is scarcely worth while to give any particular examples. They directly and materially affect practically every product except cotton. In many cases the duties imposed are higher than the prices, in the country of origin, of the commodities on which they are imposed.

A tariff duty is an indirect means of restricting imports. Instead of imposing any legal limitation on the quantity of the commodity in question that can be imported, it simply places a tax on the imports. Protective duties in many of the countries which are net importers of agricultural commodities are usually made high enough to raise the domestic price very materially, with the result that production is increased, consumption is decreased, and imports are substantially reduced.

Import duties do not in most cases, however, render domestic producers immune to a decline of the price received by them as a result of a decline of the world price of the same commodity. Most of the duties on agricultural products are, in practically all countries, specific duties; that is to say, a fixed amount is charged per ton, bushel, pound, or other unit of each commodity, regardless of fluc-

tuations in the value of the unit. When the general price level falls, and the amount of the duty remains the same in currency, its value in goods is increased. This intensifies the burden on producers in the exporting countries. But since a fixed duty does not prevent the price in the protected country from varying in response to major changes in the world price,³ the price paid to the domestic producer will usually decline when the world price declines unless the duty is raised. Consequently, when prices fall, protected industries are likely to demand a higher rate of duty to offset the fall in the prices of their products; and the tendency of governments has been to comply with such demands.⁴ Consequently those who produce commodities for the world market have been hit by increased duties (and also by many new duties) at a time when even the old rates, where they are specific, would have imposed an increased burden upon them.

In a few cases import duties are determined in such a way that they automatically increase when the world price of the commodity affected decreases, and decrease when the world price increases. Such duties, known as sliding-scale duties, are intended to stabilize the domestic price by offsetting the effects of changes in the world price, to protect producers against a decline of the import price, and consumers against a rise.⁵ In addition to such duties, there are instances in which the Government is directed by law to change duties in such a way as to keep domestic prices as near as possible to a constant level. This is the case, for instance, with the duties on cereals in Germany.

It is perhaps surprising that the rapid decline of prices during the last 3½ years has not given rise to a larger number of sliding-scale duties, for the number and importance of such duties existing at the present time is not great. In nearly all cases in which governments have used means of restriction other than that of a fixed specific or ad valorem duty they have resorted to more direct methods of restriction. These methods, as we shall indicate, have the effect of partly insulating the domestic market from changes of world price.

2. *Mixing and linked-purchasing regulations.*—One of the methods of restricting imports which has become fairly prevalent since 1929 is that of limiting imports of a commodity to a certain percentage of the domestic consumption. Sometimes two commodities capable of serving the same purpose are linked together in connection with such a restriction. Some of the measures in this group provide that the domestic and foreign product shall be mixed in specified proportions; others merely require the purchaser of the imported product to purchase a certain quota of the domestic product also. The term "linked purchasing" is herein applied to the latter procedure.

³ In some cases a tariff even tends to increase price fluctuations in the protected country. In years of relative shortage of supplies in the importing country and when conditions are therefore especially favorable to importation, the tariff will tend to raise the domestic price above the world price by a wider margin than in years of relatively large domestic supplies.

⁴ Even more likely is a demand to be made for increase of the duty when the latter is charged on an ad valorem basis; that is to say, when the duty charged is a certain percentage of the value of the commodity imported. For then the amount of the duty in money is reduced when the price is reduced.

⁵ An example is the duty on wheat in New Zealand. This duty is 8 pence per bushel when the value of the wheat at the port of export in the country of origin is 5 shillings; but for every penny by which this value exceeds 5 shillings the duty is reduced by a penny, and for every penny by which it is less, a penny is added to the duty. Sliding-scale duties on wheat are in effect also in South Africa, Egypt, and Chile.

These methods of import restriction have received their most widespread application in the case of wheat. They now constitute the most important of the various restrictions affecting that commodity. Such measures are in force not only in France, Germany, and Italy, the largest wheat-importing countries of continental Europe, but also in a number of other countries, including Sweden, Holland, and Greece. In these countries millers are required each month (or other short period) to include in their grist an amount of domestic wheat not less than a certain proportion of the total amount purchased. The proportion is often very high. Measures of this kind applied to wheat and rye are known as "milling regulations."⁶

Another agricultural product which is affected in some countries by similar regulations is butter. In Holland all margarine intended for domestic consumption, with certain exceptions, must contain 25 percent of butter. This, in effect, is an import restriction designed to assist an industry which is on an export basis by restricting imports of a rival product.⁷ In Germany an arrangement has recently been made by which manufacturers of margarine must include domestic butter and lard in their product.

Alcohol is another example. The laws of certain countries provide for the use of alcohol as a motor fuel. In Germany and Czechoslovakia an artificial market is thus created for potatoes, which are used in those countries as a raw material for the making of alcohol. In Germany it is provided that importers and manufacturers of motor fuel must purchase a certain quota of alcohol. In Czechoslovakia all motor fuel must contain 10 percent of alcohol.

Another example of linked purchases is that of feedstuffs in Germany. The German Government permits barley to be imported at a reduced rate of duty where the importer at the same time purchases certain quantities of domestic feedstuffs, such as potato flakes and rye.

The method of linked purchasing or mixing regulation is employed mostly in cases where the imported and the domestic products are only partly interchangeable, and where a consumer's preference must be overcome if the consumption of the domestic product is to be increased. Wheat is no exception to this rule. The wheat produced in western and central Europe is of the "soft" variety, and differs very considerably in quality from the "hard" wheat imported from North America and Russia. Millers in Europe, as in other parts of the world, consider it necessary to include at least a certain proportion of hard wheat in their grist in order to obtain flour which will make the quality of bread that consumers prefer. In Europe millers when necessary pay high premiums for hard wheats. Under such conditions a tariff duty, unless it is excessively high, is a much less effective weapon of protection than when the two products are more readily interchangeable.⁸

One important consideration which appears to have influenced European governments in adopting milling regulation is the degree of control which it enables them to exercise upon price. Where the

⁶ The complicated system of regulations affecting purchases of wheat by millers in Germany is described in the appendix.

⁷ This measure is part of a broader scheme described in the appendix.

⁸ A special motive for the adoption of the "linked-sales" method applied to feedstuffs in Germany has been the desire to mitigate the rigor of protection accorded to cereals. (See the discussion of German Agrarian Policy in ch. VI.)

domestic and foreign products differ in quality, and particularly in the case of wheat, the effectiveness of a duty is likely to vary according to the amounts of the domestic product available for consumption, in a way which is hard to calculate in advance. Milling regulation allows the price of domestic wheat to be controlled with greater accuracy. The prescribed percentages are subject to frequent alteration by administrative order, and the proportion of domestic wheat which must be used is made to vary in accordance with changes in the available domestic supplies. In years of a large domestic crop it is as a rule made higher than in years of a small crop; and it is nearly always larger at the beginning of the marketing season when the newly harvested crop is moving to market in large volume than toward the end of the season when most of the crop has been sold. In this way the government is able greatly to modify seasonal fluctuations of price as well as fluctuations from season to season.

The gains to producers in the wheat-importing countries resulting from milling regulations tend to be accompanied by corresponding losses to producers in the exporting countries. While the former obtain an assured market for their product at relatively stable prices (so long as their production is not in excess of domestic consumption requirements), and are protected against seasonal price fluctuations, the producers in the exporting countries are made to bear an even greater share than before of the burden of irregular and excessive production. When surplus stocks accumulate, owing to an unusually large world wheat crop, these stocks must be held outside of the importing countries, since the latter will import only enough for their immediate requirements; and the tendency of a fall in the world price resulting from a large world crop to increase consumption in the importing countries is much less than it would be if producers in those countries were protected only by a fixed tariff duty. Moreover, since the importing countries utilize the greater part of their own production in the early part of the season in order to avoid seasonal fluctuations of price, the exporting countries must hold their crops till toward the end of the season, a factor which probably tends to intensify the seasonal fluctuations of their prices.

An important objection to mixing and linked-purchasing regulations—and this applies also to quota regulations—is that these measures not only tend to reduce consumption in the countries where they are applied, by raising prices paid by consumers, but they also may deprive producers in the exporting countries of benefits which would otherwise result from such advantages of quality as their products may possess. Under a tariff, consumers may use an imported product in preference to the corresponding domestic product if they are willing and able to pay the higher price; but quotas, mixing regulations, and the like, set a definite limit to the amount that may be obtained, thus restricting the consumer's choice of qualities and varieties.

3. *Quotas or contingents*.—Under the quota system, imports of the commodities affected are not permitted to exceed a certain maximum amount in each month, quarter, or other period. These maximum amounts are called "quotas" or "contingents." The result of the imposition of a quota is that, imports being limited to a specified quantity, consumers must fill the remainder of their

requirements from domestic sources. The domestic producer is thus assured a broader and more stable market for his produce. The foreign producer is correspondingly injured.

At the outset of the present depression this type of restriction was rather uncommon. Since that time, and particularly since the financial crisis of 1931, it has become increasingly prevalent. In some countries, such as France, Poland, Switzerland, and Holland, it is applied to a wide range of commodities. In Great Britain it has recently been applied to meats imported from sources outside of the British Empire. In Germany a variant of the system has been used to some extent, by which limited quantities of certain products are admitted at relatively moderate rates of duty while prohibitive rates are imposed on any excess above this amount. An example of this is the butter contingent.⁹

The motives for the choice of the quota method of restriction are various. It appears to be well adapted to the reduction of imports for the purpose of maintaining a favorable balance of trade, since it allows the quantity of imports to be subjected to an exact control. That is probably one reason for its comparatively widespread application at the present time. Perhaps a more important reason, however, is the fact that quotas have been used to evade treaty obligations by which countries have bound themselves not to raise their import duties above certain specified rates. Quotas have also been used to discriminate between countries where the imposition of discriminatory duties would be contrary to treaty obligations; for where the quota system is used it is usually applied not only to the total imports of a commodity, but also to the imports from each principal country of origin.¹⁰

4. *Import licensing and similar measures.*—Under import licensing the commodity affected can be imported only if the importer has obtained a license to do so from the Government. Import licensing is sometimes used to secure the enforcement of quotas, milling regulations, and the like. The British quotas on beef and mutton, for instance, are enforced in the following manner. The commodities affected can be imported only by an importer who has been granted a license. The licenses do not specify how much the importer may import, but all the importers who hold licenses have made a "gentlemen's agreement" with the Government that limits their imports to specified amounts. In most other instances, however, the amount which may be imported is specified in the license. In France licensing is used to secure enforcement of milling and quota regulations.

In other cases licensing is used to ensure that a product will be imported only if certain special conditions are fulfilled. In Czechoslovakia the licensing of imports of wheat and rye is placed in the hands of the Grain Syndicate, which is composed of representatives of various interests concerned in the regulation of grain imports. The syndicate grants licenses for the importation of wheat only on condition that the import be compensated by an export of Czechoslovakian agricultural produce of equal value.

In Portugal imports of wheat are subject to licensing. At the beginning of each marketing season the Government, having ascer-

⁹ See ch. IV, footnote 26, p. 74.

¹⁰ The relation of quotas and other direct import restrictions to the most-favored-nation clause is discussed in the following chapter pp. 74, 75.

tained the size of the wheat crop, decides what quantities of imported wheat will be needed for domestic consumption. Licenses are then granted for that amount and no more.

In Spain a method of restricting wheat imports is in effect which, though not enforced by licensing, is somewhat similar to the foregoing measures. Whenever the price of domestic wheat is below a certain specified level, wheat imports are entirely prohibited. Only when the wholesale price has remained above the stated level for a certain period of time is wheat admitted.

5. *Import monopolies*.—An import monopoly gives the sole power of importing the commodity affected to the Government or an agency appointed by it. Import monopolies are usually associated with a monopoly of the marketing of the domestic product. The Government is then in a position to regulate imports and at the same time to give assistance to domestic producers. The monopoly usually purchases the domestic product at a price higher than the price which would be paid for an imported product of similar quality. Owing to its power of limiting supplies it is able to obtain a high price also from the consumer.

Tobacco monopolies exist in a number of European countries. They serve the triple purpose of restricting imports, regulating domestic production, and obtaining revenue. The way in which these organizations are able to restrict imports is obvious. Their activities in regulating domestic production are described in chapter V (see pp. 89–90); also, in chapter X.

After the World War, grain monopolies were established in Norway and in Switzerland. The purpose in both cases was to limit imports and to encourage domestic production—not to obtain revenue. In fact, an important aim in both countries has been to pay a high price to the domestic producer while raising the price paid by the consumer as little as possible. Grain was imported at the world price and purchased from the domestic producer at a substantially higher price. The consumer was charged just enough to cover the costs of the monopoly. In this way the consumer was made to pay an enhanced price only for the domestic product, as in the case of linked purchasing. In Norway, the method of regulation of grain marketing has been changed several times, but is now substantially as described above. In Switzerland the Government no longer has a monopoly of importing, but still purchases the domestic crop at a high price, a small tax on imports of all commodities being levied to cover the excess cost. The grain is then resold to domestic millers who are compelled to purchase the whole crop.

The German corn monopoly is in reality a method of imposing import duties under another name. The device was adopted in 1930 because Germany wished to increase its import duty on corn, but was prevented from raising the duty by a commercial treaty with Yugoslavia. The monopoly purchases the corn from the importer, and resells to him at a higher price. But the corn does not pass out of the hands of the importer, who merely pays to the monopoly the difference between the latter's purchasing and reselling prices.

6. *Sanitary restrictions*.—Imports of specified agricultural products are often prohibited for the purpose of excluding certain plant and animal diseases and pests. In other cases imports of the com-

modity in question are not entirely prohibited, but are permitted only under certain stipulated conditions with regard to the method of packing, or subject to inspection and/or quarantine at the port of entry. These restrictions often apply only to imports from certain countries or regions within a country in which it is held that the pest does or might exist. These sanitary restrictions often have important economic effects. They have contributed to restricting international trade in agricultural products.

7. *Exchange regulation and currency depreciation.*—The rapid falling off of international trade since the financial crisis of 1931 has been due in considerable measure to developments in the international exchange situation. These developments, however, were in turn due to various factors in the economic situation, including the reduction of international trade which had taken place up to that time. In the summer and fall of 1931, owing to the efforts of creditors to withdraw their short-term loans from certain debtor countries, and particularly from Germany, the governments of those countries were induced to check the flight of capital by restricting the amount of payments their citizens could make to foreign countries. As a result of those restrictions certain creditor countries, particularly Great Britain, found themselves unable to remain on a free gold standard.

In fact, most countries in the world found themselves in a position where they could maintain their currency at par with gold only by a rigorous control of their balances of foreign payments. Some countries decided to allow their currencies to depreciate freely, thus using the depreciation as a means of readjusting their balances of payments. Many others took drastic measures in an attempt to readjust their balances artificially while maintaining their currencies at par. Still others, allowing their currencies to depreciate (or remain depreciated if they were already so), also restricted dealings in foreign exchange in order to limit the extent of the depreciation.¹¹

(a) *Exchange regulation.*—Thus exchange control is an alternative to currency depreciation, and is aimed to avert the latter. It is also used as a means of making a sufficient amount of foreign exchange available for the payment of the country's foreign debts. In order to do this it is sought to eliminate all outward payments but those which are considered essential to the economic life of the country.

Exchange control is usually adopted in the first instance to restrict outward payments for purposes other than the import of commodities, such as the export of capital, tourist expenditures, and other invisible exports.¹² But when exchange control has once been put

¹¹ Both currency depreciation and exchange regulation result from the circumstance that the total amount of payments which people are seeking to make *from* a country exceeds the payments which it is sought to make *into* it and that neither gold nor new credits are available for payment of the excess. This means that the amount of foreign currency for which there is a demand by those who have payments to make abroad is greater than the supply of foreign currency offered by those to whom payments from abroad are being made. Under these circumstances, if there is no intervention from a central authority to restrict the effective demand, competition among those wishing to purchase foreign currency drives up its price; or in other words, the currency of the country in question depreciates.

¹² A country in a state of financial embarrassment often cannot, by restriction of commodity imports alone, reduce outward payments enough to avoid currency depreciation. For payments are made into foreign countries for other purposes than the importing of goods which can be held back at the boundary. In particular, when the currency of a country is held to be in danger there is usually a flight of capital; foreign creditors seek to withdraw their short-time loans, and citizens of the country in question who have funds at their disposal seek to invest them abroad. One of the principal aims of exchange control is to check this process.

into effect for this purpose it is often used to restrict payments for commodity imports.

The ways in which imports are restricted by exchange control vary considerably from one country to another. One method is to allow each importer a limited quantity of foreign exchange. In Germany, for instance, recognized firms may purchase an amount of foreign exchange, which is based on the amount which was purchased during the period July 1, 1930, to June 30, 1931. From this the quota of each firm is calculated in the following manner. The amount purchased in the base period is first scaled down in accordance with the general reduction of foreign trade and with the fall of the prices of the commodities in which the importer deals. Of the amounts thus determined all importers may obtain a certain percentage, which is fixed each month. For the past several months this has been 50 percent. On the average the result is that importers are able to obtain only about 25 percent of the exchange which they purchased in the base period, since the scaling down of the original amount in accordance with present conditions involves a reduction of about 50 percent, and this is again cut in half by the general 50 percent limitation.

The exchange restriction in Germany is by no means exceptional in the degree of its severity, but is quite exceptional in the uniformity with which it is applied. In most countries the severity of the restriction varies according to the nature of the commodity to which it is applied. A distinction is usually made between imports regarded as essential, such as necessities of life and raw material required by industry, and, on the other hand, manufactured products, luxuries, and other commodities considered to be nonessential. In several countries no exchange may be obtained for a long list of "nonessential imports"; in others a list of "essential imports" is exempted from restriction. In most cases, however, certain classes of commodities are given priority, and exchange is allocated to the remainder only insofar as it is available after provision has been made for essential imports. Another distinction often made is that between goods which can and goods which can not be produced in the country which applies the restriction. By limiting purchases mainly to the latter, the exchange control is used to serve the aim of protecting domestic industries as well as that of maintaining the value of currency. A third distinction is that between imports from countries having friendly trade relations with the country in question and imports from other sources.

There are also certain features of exchange control which, while they do not limit imports directly, add to the risks and expenses involved in importing goods and so indirectly tend to reduce imports. In certain countries the foreign exchange required to pay for imports may not be purchased until a specified time, such as 60 or 90 days, after the goods have been cleared through the customs. This in effect compels the exporter in the country of origin to grant credit on the goods to the importer for the period specified. The risk involved in the delay is often great, since in many cases the exchange is not made available even at the end of the specified period, or only a part of the required amount is granted. A similar but even more severe form of restriction is that which compels the exporter in the foreign country to accept payment in the currency

of the country imposing the restriction. Such payments usually take the form of a credit in a "blocked account." Funds credited to such an account may be used only for specified expenditures within the country in which the account is located. This generally includes payment for commodities exported from the country, traveling or living expenses of foreign tourists within its boundaries, and investment in securities or real estate. The exporter who receives payment in a blocked account is usually forced to borrow from his bank on the security of the blocked account in order to pay for the goods he has exported. A credit in the blocked account is obviously a very poor security, since it is impossible to know when the funds will be released, and it is often likely that when they are released the currency of the country in question will have depreciated.

The enforcement of exchange control is not nearly so easy as the enforcement of those import restrictions by which goods are kept out at the frontier. In the majority of cases the method of enforcement has been to require all persons receiving foreign exchange, whether it be as payment for exports or otherwise, to sell it to the central bank. The latter thus obtains a monopoly of foreign exchange (or is intended to obtain such a monopoly) which will enable it to limit the sales of exchange to importers and other persons.¹³

There is perhaps no country in which the government has been able to compel all persons holding foreign exchange to surrender it to the central bank. In practically all cases a certain amount of illicit trading in foreign exchange appears to be taking place. In some countries it has reached such dimensions that the efforts of the government to maintain the value of the currency at an artificial level have been frustrated. On the "black bourse" or bootleg exchange, the domestic currency is always or nearly always valued at a substantially lower rate than that which the government attempts to maintain. In Yugoslavia the Government was recently forced to reduce the official valuation of the domestic currency to the level prevailing in the bootleg market.

In order to give an indication of the widespread nature of exchange control, a list of countries follows in which exchange control has been used in such a way as to reduce substantially the quantity of imports.¹⁴

Argentina	Columbia	Germany	Rumania
Austria	Costa Rica	Greece	Turkey
Bolivia	Czechoslovakia	Hungary	Uruguay
Brazil	Denmark	Latvia	Yugoslavia
Bulgaria	Ecuador	Paraguay	
Chile	Estonia	Persia	

¹³ In some countries the central bank itself is the authority which passes on applications to purchase exchange, while in others the Government has appointed a special commission to grant permits without which exchange may not be obtained from the central bank. In Norway and Sweden a different method is followed; there is no official control of exchange but the private banks cooperate voluntarily with the central bank in restricting those exchange transactions which are not regarded as essential for the economic life of the country.

¹⁴ In all of these countries the methods of exchange control are approximately as described above. Norway and Sweden are not included in the list because the unofficial control in these countries is apparently not very severe. In Italy, also absent from the list, the exchange control restricts imports only from certain countries. Some of the countries included, such as Germany, have used exchange control to maintain their currencies at par with gold, while in others, such as Yugoslavia and Argentina, the currency was depreciated before exchange control was adopted and the purpose of control has been both to prevent a further decline in the value of the currency, and to make sufficient amounts of exchange available for the payment of foreign debts.

In view of the large number of countries in the list it is not surprising that the effect on the world's international trade has been very substantial, especially when it is remembered that in all of these countries the restrictions have been very severe. In fact, in some countries foreign-exchange transactions have been so greatly restricted that the import trade has been practically brought to a standstill.

The direct effect on American exports of agricultural products has probably on the whole been less than that on our exports of manufactured products, since in those countries where a distinction is made between essential and nonessential imports, our farm products are usually included in the former class. But there are some exceptions. Since exchange control was adopted in Denmark, the exports of American apples to that country have fallen to insignificant proportions. Apparently apples are not included among the commodities regarded by the Danish Exchange Control Commission as necessities of life. The indirect effect of exchange controls on American agriculture, although hard to estimate, has unquestionably been serious. By reducing the total volume of international trade these restrictions have severely reduced the purchasing power of foreign countries for our farm products, and by reducing our exports of manufactured products they have also affected the demand for farm products in the United States.

An important aspect of exchange controls is their use as a weapon of discrimination between countries. In many cases their administration involves discrimination without publicity. The allocation of foreign exchange to importers is largely a matter of administrative decision in most countries. Such rules as have been laid down by legislation to determine the principles upon which the allocation is to be based are generally vague, and the decisions of the authority that administers the control are often arbitrary. This makes it hard to ascertain whether countries exporting the same or similar products are receiving equal treatment. Many countries openly adhere to a policy of controlling exchange transactions in such a way as to favor those countries that purchase commodities from them. This policy has led to a considerable amount of retaliation between countries; it has also found expression in the numerous "clearing agreements" which provide for reciprocal treatment in regard to exchange control.¹⁵

The general effect of such agreements is to divert trade from its most profitable channels. Normally a country will have a "favorable" balance of payments with some foreign countries and an "unfavorable" balance with others. These inequalities are compensated by other similar inequalities among the various foreign coun-

¹⁵ A clearing agreement usually provides for the following mechanism of payments between the two countries which are parties to it. A person in country A importing goods from country B makes payment for them in the currency of A to the national bank of A; the latter credits the payment to the national bank of B, which in turn pays an equivalent amount in the currency of B (according to the rate of exchange stipulated in the clearing agreement) to the exporter. Similarly, for goods shipped from A to B, payment is made by the importer to the national bank of B, which credits the amount to the national bank of A, and the latter then makes payment to the exporter. The national bank of A, however, will not pay exporters to B more than importers from B pay to it; and similarly with the national bank of B. Thus if the exports of A to B are greater than its imports from B a part of those exports will not be paid for, except, possibly, in blocked accounts. There are some instances in which a clearing agreement has been made between a country that, in general, has no exchange restrictions, and one that has.

tries. Clearing agreements tend to reduce this three-cornered or many-cornered trade and substitute for it a less economic and more limited type of trade in which the imports of one country from another tend to be forced into equality with its exports to the latter.¹⁶

Countries entering into clearing agreements have been motivated partly by a desire to mitigate the effects of exchange control on their foreign trade and partly also to secure a more favorable balance of payments. It has been found, however, by the governments of at least some countries that clearing agreements have not produced the results which were hoped for, and some of the agreements have been abandoned. In certain cases this has led to disputes and retaliation.¹⁷

Experience with the results of import restrictions effected by exchange control has led to a widespread desire for their abolition. Such action was, for instance, recommended by the preparatory commission of experts which drafted the agenda for the World Monetary and Economic Conference. A widespread desire for any measure involving international cooperation is generally, of course, far from being an indication that such a measure is likely to be effected. But there are some signs that a tendency to abatement of exchange restrictions exists. A few countries have abandoned exchange control, although in most of these the control does not appear to have been particularly restrictive. In Austria and Czechoslovakia, where exchange control has till now or very recently been highly restrictive, the governments apparently aim to effect a gradual abolition of exchange restrictions.

(b) *Currency depreciation.*—As indicated above, exchange control is an alternative to the policy of allowing the currency to depreciate in a free market.¹⁸ Depreciation of exchange involves both a stimulation of exports and a reduction of imports,¹⁹ and thus tends to

¹⁶ This artificial equalization of trade between pairs of countries is sometimes effected by manipulation of exchange rates. Some clearing agreements provide that the currencies of the two countries shall be exchanged at a rate that is different from the par rate or inconsistent with the values at which the two countries are attempting to maintain their currencies. In some cases the rate of exchange used in a clearing agreement is kept secret in order to conceal certain special favors that are involved.

¹⁷ A clearing agreement between Italy and Germany was denounced by the latter in the early fall of 1932. In retaliation against this Italy introduced severe restrictions on payments to Germany on Oct. 1, and these are still in effect. As a result of the termination of the clearing agreement certain sums due to Italian exporters were being held by German authorities in blocked accounts. The Italian Government, therefore, issued a decree by which all payments for goods imported by Italy from Germany must be made through Italian banks. Only 25 percent of the sums thus paid could be converted into German currency and remitted directly; the balance was to be credited to the German exporter in a blocked account, not bearing interest, with the Italian National Institute of Exchange. The sums thus credited could be drawn only against sums released from blocked accounts in Germany existing in the names of Italian firms or individuals. Similar restrictions were also imposed by the Italian Government on imports from Yugoslavia in retaliation against the exchange restrictions imposed by that country. In this case the exchange payments are limited to 10 percent instead of 25 percent. The Italian balance of trade both with Germany and Yugoslavia had been unfavorable at the time when the Italian restrictions were adopted. This fact was no doubt influential in determining the policy adopted by the Italian Government.

¹⁸ The abandonment of the gold standard by the United States in March 1933 and the subsequent depreciation of the American dollar in international exchange have resulted from conditions differing in important respects from those which previously led to depreciation of currencies of other countries. Many of the statements in this chapter regarding depreciation of currency do not apply to the United States. In general, the analysis applies to the situation existing at the time of the abandonment of the gold standard by the United States.

¹⁹ When the currency of a country previously on the gold standard depreciates in terms of other currencies, the costs of production and the incomes of consumers in that country in terms of its own currency tend to increase less than in proportion to the depreciation of the currency; they therefore tend to *decrease* in terms of gold. As a result, exports are stimulated and imports are restricted. Imports tend to be reduced for two reasons. First, the incomes of consumers and therefore their purchasing power for commodities in the

correct the unfavorable balance of payments which has given rise to it. Partly because it tends to stimulate exports as well as to reduce imports, and partly because it involves no arbitrary or excessive restriction of imports, it does not tend to strangle international trade as do the measures of exchange control described above.

In this respect the effect on trade in farm products differs from that on trade in industrial products. The prices of the latter tend to remain stable, for short periods, in terms of the currency of the country in which they are produced. Consequently American manufactured products, for instance, became more expensive in terms of British currency when Great Britain abandoned the gold standard, thus tending to reduce British imports of such products. Prices of agricultural products, however, being highly variable, rapidly adjust themselves to changed market conditions. Consequently the quantities of our farm products exported have probably not been reduced greatly by the depreciation of currencies in countries to which we export and in competing countries. It is probable, however, that the prices of these products have been affected to some significant extent. This is likely to be true particularly where important competing countries have depreciated currencies. For the depreciation affects cost of harvesting, cost of inland transportation, and other costs that set a lower limit to the price at which farm products can be delivered in the world markets, and this tends to make such costs lower in the country with depreciated currency in relation to similar costs in its gold-standard competitor.²⁰

The quantities exported and the prices of our farm products are probably also indirectly affected by the depreciation of currencies, through the effects of the latter on international trade in general. But whether currency depreciation in foreign countries has tended to accelerate or to retard the decline of international trade is hard to determine. The answer depends largely on whether or not the depreciation of the exchanges of Great Britain and other countries since August 1931 has done more to increase their exports than to reduce their imports. By and large, industrial activity in countries with a depreciated currency has declined less since 1931 than in countries the currencies of which were still at par at the beginning of the year 1933. If it were inferred from this that the depreciation of currencies has caused industrial activity in countries where depreciation has taken place to decline less than it otherwise would have done, it would appear probable that the international

country with the depreciated currency are reduced in relation to the prices of commodities imported from countries on the gold standard, hence the latter are no longer able to sell as much to the former as before depreciation. Second, the costs of production of domestic industries in the country with the depreciated currency are lowered in comparison with costs in gold-standard countries; hence when imports compete with domestic products, the latter are favored by depreciation. Exports are stimulated for similar reasons. Costs and consequently prices in the country with depreciated money are reduced in comparison with consumers' incomes in gold-standard countries and the former is thereby enabled to sell to the latter a larger quantity of goods than would otherwise be the case. Exports are also favored by the fact that costs of production in the country with depreciated currency tend to be lowered in relation to cost of production in gold-standard countries; this favors the country with the depreciated currency in competition with gold-standard countries which export the same products. Thus the depreciation of sterling in Great Britain has not only tended slightly to favor exports from that country to the United States, but has also aided British exporters in competition with the United States in South American and other markets.

²⁰ Thus in the case of wheat, the minimum cost of harvesting and delivering in Liverpool was probably, under gold-standard conditions, higher on the average for Australian wheat than for American wheat. The depreciation of Australian currency has tended to lower those costs for Australian wheat in relation to those for American.

trade of such countries had also declined less than it would have done in the absence of depreciation. But it must not be forgotten that the depreciation of British and other currencies has tended to accelerate the decline of industrial activity in countries which have maintained their currencies at par. Whether world industrial activity, therefore, has in the net been increased or decreased is an open question. But in view of the shock to business confidence throughout the world which resulted from the unexpected abandonment of the gold standard by Great Britain, it seems not unlikely that the effect has been to accelerate rather than to retard the decline of world business activity and international trade.²¹

There are, moreover, certain more tangible factors which interfere with the tendency of depreciation to stimulate exports but do not affect its tendency to reduce imports. One of these factors is the tendency of gold-standard countries to combat the stimulus to exports by retaliatory import restrictions. Since the crisis of 1931 several of the countries which have remained on the gold standard have imposed special restrictions on goods coming from countries with a depreciated currency. In some cases this is done by imposing new restrictions on such goods as are mainly imported from countries with depreciated currencies. In other cases special discriminatory measures are applied specifically to those countries with depreciated currencies. France and Germany impose higher duties on goods from countries with depreciated currencies than on goods from countries of which the currency is at par with gold. Canada, which is not on the gold standard but has a currency less depreciated than most other countries which are off the gold standard, also imposes such duties. Furthermore, it is not always necessary that gold-standard countries should impose special or new restrictions in order to make the stimulation to exports in the countries not on the gold standard less effective than the restriction of imports. All of the present gold-standard countries, as also the United States (which from the fall of 1931 till early in March 1933 was one of the few remaining gold-standard countries in the world), have tariff duties or other restrictions on many commodities which are so severe as to be prohibitive regardless of such price changes as may result from exchange fluctuations.

Another factor that tends both to offset the stimulation to exports and to increase the restriction of imports is the uncertainty and risk created by fluctuations in exchange rates. An exporter in a gold-standard country who ships goods to a country not on the gold standard is never certain what will be the value of the payment received by him if he contracts to receive payment in terms of the currency of the country to which he exports. If, on the other hand, payment is made in terms of gold the importer in the country which is not on the gold standard will not know how much he will have to pay in terms of his own currency. The same difficulty applies to exports from countries not on the gold standard to gold-standard

²¹ The severity of the banking situation in the United States in the fall and winter of 1931 was in some considerable degree due to the effects of the abandonment of the gold standard by Great Britain. For creditors, in France and other gold-standard countries, who had funds on deposit in New York withdrew these funds in the fear that the United States might follow the example of Great Britain. This was in considerable measure responsible for the "rush for liquidity" on the part of the New York banks, the repercussions of which were felt all over the country.

countries. The adverse effect of these circumstances on the quantity of international trade, while it cannot be accurately measured, is undoubtedly of significance.

The number of countries that have allowed their currencies to depreciate in terms of gold and have not restricted imports by exchange control is smaller than the number of countries which have resorted to exchange restrictions. All of the foreign countries listed below have depreciated currencies. Some of them have exchange controls that apparently involve no severe restriction of commodity imports.

Australia	Japan	Portugal
Canada	Lithuania	South Africa
China	Mexico	Spain
Egypt	New Zealand	United Kingdom
Finland	Peru .	Venezuela
British India		

With the recent abandonment of the gold standard by the United States, the only remaining countries which have neither allowed their currencies to depreciate nor directly restricted exchange transactions are the following:

France	Switzerland
Netherlands	Poland
Belgium	

The position of these countries is not nearly so different from that of the countries with exchange restrictions as might appear, since all of these countries have extremely severe import restrictions which partly take the place of exchange controls.²²

²² It is not intended to imply that countries with depreciated currencies do not also in many cases have severe import restrictions.

CHAPTER IV

EXPORT AIDS AND RESTRICTIONS

Like the measures affecting imports which have been described in the last chapter, those affecting exports are motivated by two aims: assistance to particular industries, and the maintenance of a favorable balance of trade. While the immediate aim of the former measures has been to reduce imports both in value and in quantity, those affecting exports are, without significant exception, intended to increase the *value* of exports but not in all cases their quantity.

Four principal types of aid to exporting industries are in operation in the world at the present time. These are: (1) commercial agreements to secure the reduction or to check the increase of trade barriers in other countries; (2) dumping measures, consisting of export subsidies and other similar financial aids to exports; (3) regulations designed to improve or standardize the quality of exported products for the purpose of improving their competitive position in relation to similar products of other countries and of stimulating demand; and (4) restriction of the quantity of exports with a view to the maintenance or enhancement of price in the world market.

EXPORT AID THROUGH COMMERCIAL AGREEMENTS

Exporting industries in every country are vitally interested in securing the reduction or in checking the increase of trade barriers affecting their products in other countries. As a rule, the method used by a government that wishes to secure such concessions from other countries is to offer equivalent concessions in return. And the tariff policies even of the most highly protectionist governments are usually influenced, in some degree at least, by a desire to secure favorable treatment of their exports by foreign governments. Practically every country in the world today has a number of commercial agreements or treaties with other countries in which each of the contracting countries undertakes in some way to limit or moderate the barriers that it places in the way of the other's trade.

Three types of concessions are commonly made in commercial treaties. One consists of an undertaking by one of the contracting countries to limit to a stipulated rate its duty on a certain product or products in which the other contracting country is vitally interested. Such stipulated duties are known as conventional duties. To illustrate: France in its commercial treaty of 1927 with Germany undertook not to place duties of more than a stated amount on certain German products, while Germany made similar concessions to France. Concessions of this kind are not of an exclusive nature; France was not prevented by its treaty with Germany from granting to any other country the same privileges in regard to the same commodities as it had undertaken to grant to Germany.

A second type of concession is the opposite of the preceding type in this latter respect. This consists of an undertaking by one country to admit products of another country at a rate of duty that is *less* by a stipulated amount than the duties charged on similar products from other countries. The outstanding illustration is that of the preferences granted to each other by various countries in the British Empire by the terms of the Ottawa agreements of 1932. The reciprocity treaty between the United States and Cuba is another example.

Such arrangements, of course, involve discrimination against the products of nations that are outside of the agreement. To prevent such discrimination is the purpose of the third type of concession made in commercial treaties—the unconditional most-favored-nation clause. This provides that each of the two countries which are parties to the treaty undertakes to extend to the other any privilege which it grants to a third country. More specifically, each undertakes to impose no higher or other duties or restrictions on the imports of any commodity from the country with which the treaty is made than it imposes on imports of the same commodity from any third country. Thus, by the terms of the most-favored-nation treaty between the United States and Germany, which came into force in 1925, if Germany offers a concession on any products to any other country, the United States is entitled to obtain the same concession on like products exported by the United States. Thus the most-favored-nation clause is a means of safeguarding export industries against discrimination by foreign governments. It can also be a positive aid to exports in securing such benefits as may result from concessions made to each other by foreign countries.²³

In general, the tendency of most-favored-nation treaties is to prevent nations from making concessions to each other of the second type mentioned above, namely, those of the preferential or exclusive type, and to confine definite tariff-bargaining concessions mainly to the first or nonexclusive variety. Many commercial treaties now in force, however, provide for certain exceptions to the most-favored-nation clause under which exclusive preferential arrangements may be concluded. Such exceptions are usually based on geographic propinquity or close political relationship. Countries in the British Empire, for instance, do not obligate themselves to grant to foreign nations the same treatment as they do to each other. There is a Baltic exception exempting preferences granted to each other's products by the four small countries on the eastern shore of the Baltic Sea and by these to Russian products.²⁴ Other exceptions are the United States and Cuba, Spain and Portugal, and the South American countries. Moreover, a generally recognized exception to all most-favored-nation treaties permits one country to enter into a

²³ Many countries have two or more rates of duty on all or most commodities, the lower rates being applied to imports from countries with which the country imposing the duty has a most-favored-nation treaty, and the higher rates to imports from other countries. The differentiation of rates is, of course, intended to induce foreign countries to make most-favored-nation treaties with the country in question.

²⁴ Thus in the treaty between Estonia and Great Britain it is stated that the British Government "will not claim the benefit of any customs preferences or other facilities of whatever nature which are, or may be, granted by Estonia in favor of Russia, Finland, Latvia, or Lithuania, in regard to Russian, Finnish, Latvian, or Lithuanian goods, respectively, so long as such preferences or facilities are not extended by Estonia to any other foreign country."

customs union with a second although it may have a most-favored-nation treaty with a third.²⁵

During the present depression there have been far-reaching reversals of policies in regard to commercial treaties, in two ways.

(1) Governments have recently been much less ready than in previous times to assume obligations limiting the restrictions they place upon imports. In many cases they have been seeking to rid themselves as rapidly as possible of these obligations in order to obtain freedom of action to protect their industries against the decline of world prices by raising their tariffs. At the present time numerous treaties are being terminated and replaced by new treaties that give the governments concerned a greater freedom of action in tariff matters. In fact, it has been said that in the last 2 years countries have been making numerous agreements with each other which for the most part provide for the exclusion of one another's goods from their markets. Most commercial treaties, however, provide that the treaty in question can be terminated only after several months' notice has been given, and many governments, in their haste to impose new restrictions on imports, have resorted to the use of import quotas and other devices where their treaty obligations have temporarily prevented them from raising their import duties. To illustrate: At the beginning of 1933 more than two thirds of the import duties of France were limited by treaty obligations; and this is generally understood to be one of the principal reasons for the extensive system of quota restrictions applied to the imports of that country. France is now engaged on an extensive revision of its commercial treaties, which began with the new treaty concluded with Germany early in 1933.

(2) Not only is there less readiness to make concessions, but governments are also less willing to make a general extension, through most-favored-nation treatment, of such concessions as are granted. In the effort to develop a favorable balance of payments with the rest of the world, a nation will often seek to control its balance of payments with each individual country. Such a policy is now receiving an almost world-wide application; each country seeks to buy no more from another country than the other buys from it. The result is an accumulation of exclusive bilateral arrangements, such as clearing agreements, which represent the very opposite of the most-favored-nation policy. Just as conventional limitations of tariffs have been rendered ineffective by the imposition of restrictions other than tariffs, so has the most-favored-nation clause been rendered ineffective by clearing agreements, quotas, import monopolies, and antidumping measures.²⁶

²⁵A customs union, however, is held to mean only a complete abolition of tariff barriers between the countries entering into the union, and the formation of a single customs boundary around the group as a whole; the proposal for a customs union between Germany and Austria which was made in 1931 provided for such an arrangement. Tariff preferences do not constitute a customs union, and are not exempt from the application of most-favored-nation obligations except in such specific cases as those mentioned above.

²⁶An illustration of the way in which the application of most-favored-nation treatment has become complicated by the new restrictions may be found in some difficulties which arose recently in connection with the German butter tariff. In February 1932 Germany made an agreement with Finland that it would admit an annual contingent of 5,000 tons of butter from Finland at a duty of 50 reichsmarks per quintal. This duty was lower than any German duty on butter in effect at that time. The same concession was, of course, automatically granted to all countries with which Germany had most-favored-nation treaties. This arrangement caused great dissatisfaction in Holland, Denmark, and some other countries which export considerable quantities of butter to Germany. Since the imports from Finland are small in comparison with those from Holland and Denmark, a contingent of 5,000 tons allowed a large proportion of butter from Finland, but a

This development is mainly a result of the impact of the world crisis. The various governments, faced with a situation they had not anticipated when they entered into commercial agreements with each other, have sought to circumvent these agreements by emergency measures without heed to anything but the immediate consequences. In the prevailing confusion, a maze of discriminatory restrictions has arisen which is not the result of any settled or carefully thought-out policy.

Nevertheless, there appears at the present time to be a more deliberate trend of commercial policies toward regional tariff agreements of an exclusive character. A fairly widespread dissatisfaction with the results of most-favored-nation policy has recently developed. It was once hoped by those interested in promoting international trade that the general adoption of the most-favored-nation clause would lead to a general lowering of tariff barriers throughout the world. Unfortunately, some countries which pursue a most-favored-nation policy, instead of treating all nations equally well, treat them equally badly. Countries that grant tariff favors to a second country in return for similar favors to their own export trade are becoming increasingly reluctant to extend such favors automatically and without compensation, under the unconditional most-favored-nation clause, to other countries when the latter maintain tariff rates which, however equally applied, are none the less so high as to bar out nearly all competitive imports.

Moreover, certain groups of countries are aiming to secure exclusive preferential treatment for their agricultural products in the principal countries to which those products are exported. By the Ottawa agreements of 1932 the British Dominions succeeded in securing substantial tariff preferences for their agricultural exports to the United Kingdom. Since these preferences have been made effective by raising new barriers against imports from countries outside of the British Empire, they tend to injure producers in such countries.²⁷

Similar preferences are being sought by the agricultural surplus countries of eastern Europe for their exports of grains and other products to the industrial countries of western continental Europe.²⁸

relatively small part of the imports from Holland and Denmark, to enter at the reduced rate. According to the Dutch and Danish points of view, therefore, the new arrangement was a violation of the spirit of the most-favored-nation clause. In addition, Denmark and Sweden had another grievance. Shortly before the agreement was made with Finland, Germany had imposed an antidumping duty of 36 reichsmarks per quintal on butter imported from countries not on the gold standard. This applied to countries having most-favored-nation treaties with Germany and was added to the regular duty. Thus, as a result of the antidumping duty and the quota arrangement resulting from the agreement with Finland, no less than four rates of duty on butter imported from countries having most-favored-nation treaties with Germany were in effect. Countries on the gold standard paid 50 reichsmarks on butter within the contingent and 100 reichsmarks on other butter. The corresponding figures for countries with depreciated currency were 86 and 136. (Countries having no most-favored-nation treaty paid 170 reichsmarks.) Since the fixed contingent formed a different proportion of each country's exports, it is clear that no two of the countries receiving nominal most-favored-nation treatment paid the same average rate of duty. In November 1932 this complicated state of affairs came to an end, and a uniform rate of 75 reichsmarks was applied. At the same time imports from each country were limited to a certain proportion of the imports during 1929-31. Although this involves approximately equal treatment, it does not permit free competition between the various exporting countries.

²⁷ In general, the Ottawa agreements provide for free entry into the United Kingdom of imports from the Dominions together with the imposition of duties on competing products from sources outside of the British Empire. For further details see ch. VII and the appendix.

²⁸ The way in which such preferential arrangements would affect American agriculture would depend on the way in which the preferences were put into effect. A group of European countries granting preferences to each other might either impose new and discriminatory restrictions on imports from countries outside of the group, or they might

The governments of the latter countries would apparently not be reluctant to grant such concessions in return for similar treatment of their industrial exports if they were not prevented from doing so by their most-favored-nation treaties with agricultural surplus countries outside of Europe. These treaties they are for the most part unwilling to sacrifice.

Partly for this reason, and partly because of the growing dissatisfaction with most-favored-nation policy mentioned above, an extension of the recognized exceptions to the most-favored-nation clause is being widely advocated in Europe. The problem of the modification of most-favored-nation obligations by international agreement has been discussed at a number of international conferences in Europe, but has thus far not been solved.

But although the question has not yet been settled in a general way, a few preferential arrangements affecting agricultural exports from eastern Europe have already been put into effect. France has granted virtual preferences on wheat from Yugoslavia, Hungary, and Rumania, and on corn from Rumania. Treaties have also been made by Germany with Hungary, Rumania, and Bulgaria, providing for preferential treatment of grains from the latter countries. The adoption of these preferences, however, was made contingent on the waiving of their rights by other grain-exporting countries having most-favored-nation treaties with Germany; and since the permission of all of these countries has not been obtained, the treaties have not come into effect.

Thus the movement toward inter-European preferences on agricultural products has not made much progress. There has been no multilateral agreement affecting the products of the Danubian countries. The limited significance of such preferences as have come into effect is in strong contrast with the ambitious schemes for a European customs union or a system of intra-European preferences which have been discussed in official quarters. The desperate economic condition of the European agrarian States, however, is of great concern to the industrial countries of Europe, and further efforts in the direction of a system of preferences are being made.

EXPORT DUMPING

The word "dumping" is sometimes used loosely to indicate the selling of goods at excessively low prices, or regardless of price, but this is not what is meant here. In its more technical sense, dumping means the sale of exported goods at less than the price prevailing in the country of origin, due allowance being made for costs of shipment.²⁹

reduce restrictions on trade with one another. The former method would certainly be injurious to American agriculture. But if a preferential system were built up by reducing restrictions within the group, it is possible that the economic gain to the group as a whole would be beneficial to the trade of countries outside of the group, such as the United States. A substantial reduction of trade barriers between European countries would be beneficial to these countries and so would increase their purchasing power for farm products. And although agricultural production in some European countries would also be stimulated, it is not improbable that the net result might be to increase European imports of American farm products. While exports of wheat might be reduced by increased production in the Danube Basin, our exports of other commodities, like cotton and fruits, would probably be increased.

²⁹ The word may also be used to indicate the sale of goods, shipped from one region to another, at a lower price than that prevailing in the region from which they originate. It is not necessary that the goods should pass across an international boundary. We are here, however, concerned only with dumping in international trade.

1. *Nature and economic effects of dumping.*—Dumping of farm products is effected in some cases by an export subsidy, either direct or indirect; in others it is effected by the setting up of a marketing organization that possesses a monopoly of the commodity in question in the domestic market and is thereby enabled to charge domestic consumers a higher price than that prevailing in the world market. In either case the immediate effect is to raise the price in the domestic market above the world price,³⁰ and to make the prices to producers higher, in relation to the world price, than they would be in the absence of dumping.³¹

But unless the dumping measure is accompanied by restriction of production, the possible benefit to producers is likely to be offset, either wholly or in part, by a lowering of the world price. The increase of price in the domestic market tends to restrict consumption and to stimulate production, thus operating to increase exports and to reduce the world price.³²

Moreover, dumping measures that are unaccompanied by production restrictions (and few of them are accompanied by such restrictions) are likely to provoke retaliation by countries that import the commodity in question. The lowering of the world price, which results from dumping, strengthens the tendency to raise trade barriers; and the fact or belief that a fall of price results from dumping further strengthens this tendency. Public opinion in most countries is particularly sensitive on the subject of dumping. The very word itself has an opprobrious connotation. The antidumping provisions contained in the tariff laws of certain countries, mentioned in the preceding chapter, are an expression of this attitude. And even countries that have no such provision in their tariff laws are likely to impose severe restrictions if their producers are threatened by or apprehensive of the competition of dumped commodities. Dumping measures are more vulnerable to retaliation than import restrictions, since it is easy for importing countries to place restrictions on imports of dumped products, while retaliation against import restrictions is necessarily of a more indirect character. In a struggle between a country offering an export bounty and an importing country which retaliates by tariffs or other import restrictions, it is usually the latter which is likely to win. The export bounty may for a time be raised high enough to offset the import duty in the importing country. In effect, however, this involves a payment from the treasury of the exporting country into that of the importing country. Eventually, of course, the importing country may increase its duty to so high a point that imports from the other country must cease. And

³⁰ In the case of an export subsidy this is brought about under competitive conditions in the following manner. Exporting having become more profitable as a result of the subsidy, competition between exporters raises the price paid to producers. Middlemen who sell to domestic consumers are then forced to charge the latter a higher price in order to pay the enhanced price to producers.

³¹ In cases where dumping is effected by a monopolistic marketing organization it is possible that the organization may reserve to itself the profits arising out of its monopoly, with the result that farmers do not get the full potential benefit of the enhanced price paid by domestic consumers. This may occur in the case of sugar cartels in some European countries, which are controlled by the refiners, but in most other cases the marketing organization in question is controlled either by the government in the interest of farmers or by farmers themselves.

³² If the country that practices dumping is capable of producing but a small part of the world's commercial supply of the commodity in question the effect on the world price will not be great. But if the country is one that can produce a large part, and is capable of materially expanding its output, the effect will be more considerable.

it is always possible for the importing country to adopt more direct methods of restriction against which bounties are of no avail.³³

Furthermore, when dumping is applied to a product by one country, other countries are likely to take similar action in order to protect their producers against the price decline resulting from dumping by the first country. This tends further to reduce the world price, thus causing producers in the country which first adopted a dumping measure to lose a part, at least, of their initial gain.

The case of rye offers a good illustration of the international effects of dumping. For a few years preceding February 1930, Germany gave a form of financial assistance,³⁴ equivalent to an export bounty, on rye. Partly in consequence of this, prices of rye in the Scandinavian countries, the principal export market, were greatly depressed, and this in turn was followed by an increase of import restrictions in Sweden. Furthermore, in November 1929, following the example of Germany, Poland provided a similar form of financial assistance for the export of rye.³⁵ The intensified competition resulting from this drove prices in the export markets to such low levels that in February 1930, Germany and Poland were forced to reach an agreement for joint limitation of rye exports and the maintenance of a minimum price. Early in 1930, however, Germany entirely ceased to give assistance to rye exporters and the agreement became of no consequence. The added factor of Russian competition, and the cost to the German treasury of the virtual export subsidy, had induced Germany to retire from the export market and rely on measures of internal aid. Finally, the end of this unsuccessful experiment was officially recognized in June 1931, by the termination of the German-Polish agreement.

Probably the outstanding instance in which competitive dumping of an agricultural product was practiced by a number of important producing countries occurred in the case of sugar at the end of the last century. The situation in that commodity around 1900 became so serious, owing to the almost universal adoption of export bounties and import restrictions, as to force the adoption of the international Brussels sugar convention in 1903. This bound the contracting countries to remove export and production bounties on sugar and to reduce import duties. The desperate situation in sugar which led to the adoption of the Chadbourne plan in 1930-31 was partly a result of export dumping by certain European beet-sugar producing countries.

³³ Contemporary events in Ireland offer an illustration of a commercial struggle between two countries of which one is attempting to push its agricultural exports over the tariff wall of the other by means of export bounties. In June 1932 the Irish Free State Government refused to pay the semiannual installment for land annuities due to the United Kingdom. On July 15 the British Government in retaliation imposed duties of 20 percent ad valorem on the principal agricultural exports of the Irish Free State, which were raised in November to 30 percent for some commodities and 40 percent for others. The Free State responded by granting bounties to offset the British duties on shipments to the United Kingdom of various agricultural products. The principal commodities affected were meats, live animals, butter, poultry, and eggs. In order to finance these bounties a sum of £2,000,000 was appropriated, which was considerably more than the semiannual installment of the annuities. Only 6 weeks after the first bounties went into effect more than a quarter of this sum had already been spent. Moreover, on November 9 the bounty on butter, which had been in effect before the dispute began, was discontinued. Though no explanation for this was given by the Government, it was presumably decided that a bounty which would overcome the British duty of 40 percent was too expensive.

³⁴ "Import certificates," tenderable in payment of import duties on certain products, were issued to exporters of rye. This form of dumping is described below.

³⁵ And of other grains.

Thus the increase in prices to producers which results from dumping without restriction of production may be only a temporary one, and in any event is likely to be greatest when the scheme is first put into operation. At the outset of the measure's application, the increase of exports of the commodity in question will be small. The first effect will be to increase exports only to the extent by which domestic consumption is reduced. But as soon as the increased returns to producers have had time to stimulate production, the increase of output will necessitate a further increase of exports and a further decrease of the world price. This, in turn, will tend to reduce the initial increase of price to producers. And if a dumping measure causes other countries to apply import restrictions and dumping measures to the same product, the ultimate effect of the measure may be in the direction of lowering prices to producers.

There are two conditions, however, under which the chances of success of a dumping measure are more favorable. One is that the country applying the measure shall not be an important producer of the commodity in question and that resultant increase in production shall not be sufficient to affect the world price to any marked extent. The Australian Paterson plan applied to butter (described below) is an example, Australia being a minor producer of butter, and the measure having had no very noticeable effect on world supplies or price. The other condition is that the measure shall be accompanied by restriction of production to prevent its having a depressive effect on the world price.

The latter condition appears to be fulfilled in the measure that has recently been applied to hogs in the Netherlands. The distribution of hogs is controlled by a central organization which sets the price of hogs in the domestic market above the export price, and is therefore able to secure for farmers a higher price than they could obtain under unrestricted competition. At the same time, however, the production of hogs is rigidly controlled as described in the next chapter. By thus preventing the measure from leading to an increase of exports which would tend to reduce the world price, the Dutch authorities are able to avoid not only the direct consequences which would result therefrom to their own hog producers, but they can also prevent the measure from being injurious to hog producers in other countries and so avoid the danger of retaliation. Thus the measure, while technically it involves dumping, appears to be free from all the objectionable international consequences of dumping.

2. *Methods employed in dumping agricultural products.*—The dumping of manufactured products often results from action taken by private manufacturers or associations of manufacturers without government aid, but in agriculture, owing to the competitive nature of the industry, dumping is effected in nearly all cases through direct government intervention. The methods employed include: direct subsidies; indirect subsidies, such as import certificates and reduced freight rates; and government regulation of marketing.

(a) *Direct export subsidies.*—Direct export subsidies are not the most prevalent form of dumping, even in farm products. From the point of view of public finance the method has the disadvantage that it involves an expense to the treasury unless it is supported by some

special source of revenue, such as a tax on the domestic consumption of the commodity in question. For the producers it may have the disadvantage that a lack of perfect competition among exporters can prevent the benefits of the bounty from being passed back to the producer.

In two countries export bounties are granted on a number of agricultural products owing to somewhat peculiar circumstances. The Irish Free State grants bounties on the export of a number of agricultural products, including cattle, hogs, and potatoes. These bounties are the result of a political dispute between the British and Irish Governments³⁶ rather than of general economic conditions.

In South Africa a bounty of 10 percent on all exports other than gold, diamonds, and sugar was put into effect after Great Britain abandoned the gold standard. During the last 3 months of 1931 and the whole of 1932 South Africa was the only country in the British Empire—and almost the only agricultural-surplus country outside of the United States—that had remained on the gold standard. South African farmers were handicapped by the abandonment of the gold standard by Great Britain, to which they sell most of their products, and by many of the principal countries competing with South Africa in the British market. The export bounties were originally adopted to overcome this unusual handicap.

There are, however, cases in which direct export bounties have recently been granted not as a result of peculiar circumstances but in order to protect producers against the world-wide decline of prices. Such bounties are often accompanied by a tax on the domestic consumption of the commodity out of the proceeds of which the subsidy is paid.

An example possessing some unique features is the Hungarian Boletta or grain-ticket system. According to this plan, every dealer who purchases wheat from a farmer must at the same time purchase grain tickets from the Government to the value of 48 cents for every bushel purchased. One part of each grain ticket, worth 29 cents a bushel, is given to the farmer, who may tender it in payment of taxes or convert it into cash. The other part, with which we are more directly concerned, is retained by the dealer or passed on to other dealers to whom the wheat is sold. If the wheat is exported, the dealer's part of the ticket may be resold to the Government; but if the wheat is consumed in Hungary the ticket is finally surrendered to the Government without compensation. Thus the ticket is in part an instrumentality for raising a tax on the domestic consumption of wheat. The proceeds have been used for farm relief in various ways, including the payment of an export bounty. But at the present time, owing to a short crop of wheat in 1932, the Hungarian Government has prohibited exports of wheat, so that the export aid feature of the Boletta system is in abeyance. (For further details concerning the Boletta system, the reader is referred to the Appendix.)

There are some cases of sliding-scale bounties. Such a bounty for instance, is paid by the Portuguese Government on cotton exported from Portuguese East Africa. The rate of the bounty is equal to the difference between the monthly average market price

³⁶ See footnote 33, p. 78.

and a fixed price of 8 escudos per quintal. The latter price is thus guaranteed to the exporter. A similar sliding-scale bounty has recently been granted by Egypt on beans. Such bounties are analogous to sliding-scale import duties in the same way that export bounties in general are analogous to import duties. Fixed duties or bounties tend to raise the price received by domestic producers above the world price by a fixed amount, while the sliding-scale variety is intended to give the domestic producer a stable, or relatively stable, price.

(b) *Import certificates*.—The form of export aid which is provided by import certificates is the same as the export debenture system that has been proposed in the United States. Subject to certain limiting conditions, it is equivalent to that of an export bounty. The method was first used extensively by Germany, and the American proposal has been modeled after the German practice. Originally the method grew out of the practice of granting a drawback on the reexport of imported commodities for which an import duty has been paid. In practically every country the customs authorities pay such a drawback if the exporter can prove that the article which is being exported was previously imported and that an import duty was paid on it. The reexporter must produce a receipt for the duty paid and other documents to prove that the article that is being re-exported is the same as that on which the duty was paid.

If the requirement for proof of identity is waived, the drawback may become equivalent to an export bounty, when the imports of the commodity in question exceed the exports thereof. A plan of this kind is in effect in France. The French importer of wheat may, on payment of import duty, obtain a certificate that entitles the holder to a refund of the duty upon exportation of an equivalent amount of wheat. Domestic wheat may be substituted for the imported wheat, so that the refund of duty is more than a drawback. In fact so long as France is on a deficit basis for wheat, the effect is similar to that which would result if an equivalent export bounty were paid in cash. For under this condition exporters of wheat can acquire the certificates at a nominal cost, the supply of certificates being in excess of the amount that can be sold. This measure facilitates the export of soft wheat, the production of which in France is often in excess of domestic needs, in exchange for the hard wheat that must be imported.

But the import certificate plan is removed by one further step from the drawback. Instead of granting a refund of duty on proof that the latter has been paid, the Government issues certificates to exporters which are tenderable in payment of import duty. Thus, the exporter of wheat in Germany formerly received certificates that were equivalent in face value to the import duty on wheat and could be tendered in payment of the duty. These certificates were transferable. Since imports of wheat exceeded exports³⁷ there was a demand for as many certificates as were issued, and their market value was therefore only slightly less than their face value. The same plan was also applied to other cereals.

³⁷ Eastern Germany exported wheat; western Germany imported it. The quality of the exported wheat, moreover, was different from that which was imported.

In order to make import certificates effective as an export subsidy on a commodity of which the country is a net exporter, a further departure from the principle of the drawback is necessary. Import certificates issued on the export of one commodity, let us say rye, of which there is a net export, may be made tenderable in payment of import duty on another commodity, or on a whole range of commodities, of which there are net imports. This was practiced in Germany during the last pre-war decade and again from 1925 to March 1931, but since the latter date this feature has been absent. The import certificate system in its present more limited form is known as the "exchange plan." It is applied to wheat to facilitate the exchange of German soft wheat, some of which is exported to Great Britain, for hard wheat which is imported from overseas.³⁸

Since the reintroduction of import certificates in Germany in 1925, the plan has been adopted in several countries which are close neighbors of Germany. This illustrates the way in which dumping measures, like import restrictions, are likely to spread from one country to another. In Poland import certificates are issued on a wide range of agricultural (and on some industrial) products. They are tenderable in payment of import duties on any product, and have in some cases even been made redeemable in cash. Reference has already been made to the German-Polish rye agreement which arose out of the issuance of import certificates on rye by both governments. Similar plans have also been adopted in Sweden, Czechoslovakia, and Austria. In Sweden, as in Poland, the certificates are redeemable in cash. In Austria import certificates have recently been discontinued.

(c) *Export bounties in the form of reduced freight rates.*—Indirect export subsidies are sometimes granted by governments that operate the railways in their territory in the form of specially reduced freight rates. Reduced rates for export shipments apply, for instance, to wheat in India, sugar in Germany, corn in Rumania, and hops in Czechoslovakia. It is not always easy, however, to determine whether the existence of freight rates on export shipments lower than those charged for comparable distances on domestic shipments constitutes dumping. Freight reductions are sometimes made by governments with the definite intent of aiding an industry, but they may also be made for other reasons, not only by government-owned, but also by private, railroads. It may be, for instance, that the export shipments, being in greater volume, involve a lower cost, or that the carrier is more subject to the competition of other transportation agencies in regard to export shipments than in regard to domestic shipments.³⁹ It is probably for such reasons as these that the freight rates on grain for export in some parts of the United States and Canada (in the latter country on both government-owned and private railways) are lower than those for domestic shipments of comparable distances.

(d) *Dumping by means of a monopolistic marketing organization.*—The general nature of dumping by means of a monopolistic marketing organization has been indicated. When an organization is operated for the purpose of dumping in the interest of producers,

³⁸ For details see ch. VI and the appendix.

³⁹ In the latter case the differentiation of freight rates constitutes dumping of transportation services. Even if the commodity transported is an agricultural product the practice can hardly be considered a form of farm relief.

its procedure in regard to price will tend to be as follows: Although the price received in the domestic market will be higher than that received in the export market, the price paid to the producer will not depend upon whether his product is exported or not. The organization will sustain a loss on exports which will be offset by its profit in the domestic market.

There are, however, cases in which the actual handling of the commodity is done not by the central or national marketing organization itself, but by a number of private dealers or cooperative marketing agencies over which the central organization has regulatory powers. In such cases the equalization of the returns obtained in the domestic and export markets may be effected by levying a tax or fee on the handling of the commodity and by paying from the proceeds of this fee a bounty on exports. The so-called "equalization fee plan" which has been advocated in the United States in recent years, would have operated in this manner.

Most of the dumping measures now in effect are of recent origin and were first adopted after the present depression began. Coming into effect during a period of rapidly declining prices, they have, in most cases, had the effect of checking or moderating the decline of prices to producers rather than of raising them. They appear to be an outcome of a desperate need for relief rather than a manifestation of a settled policy. The outstanding exception to this rule is the Paterson plan, which has been in effect with respect to butter in Australia since 1925. This is one of the few cases in which monopoly control in an agricultural commodity has been exercised without government intervention. All the important creameries in Australia, both cooperative and private, have voluntarily submitted to the control of a stabilization committee, elected by themselves. The committee makes a small levy on the entire output of butter produced by the creameries, and with the proceeds pays a bounty on exports of butter. But, although the organization of producers under the Paterson plan is not based on government intervention, the operation of the plan does depend on government support insofar as the levy on butter production would not be feasible without the butter tariff which is in effect. In the absence of the tariff the competition of butter from New Zealand would make it impossible for the industry in Australia to exact a monopoly price from the consumer. The Paterson plan also enjoys government support insofar as the Government has abstained from prosecuting the butter producers under the antitrust laws of Australia.

Since the Paterson plan has been in effect for several years, it is possible to reach some conclusions as to its results. Australia contributes only a minor part of the world's supply of butter, and the effect of the introduction of the Paterson plan on world prices has not been noticeable. Moreover, so far as can be ascertained, the plan appears to have made the returns to Australian producers greater than they otherwise would have been. Production, however, and exports have been increased, and it has been necessary accordingly to reduce the rate of bounty paid on exports of butter.⁴⁰

⁴⁰ In addition to Australia, a number of other countries have recently applied dumping schemes to dairy products. This includes South Africa, Sweden, Norway, Finland, and Estonia. This is another illustration of the tendency of such measures to spread from one country to another with respect to the same commodity. It is noteworthy, moreover, that all the countries mentioned are minor exporters of dairy products.

Another example is the measure applied to rice in Italy. The National Rice Institution (Ente Nazionale Risi), created by a Government decree, has extensive powers to regulate all trading in rice. In addition to fixing the prices that must be paid to growers, it levies a fee on the purchase of rice from the grower. This fee is used to pay an export subsidy that varies according to the country to which the rice is exported. For those countries in which the competition of rice from other sources (Brazil being the chief competitor) is great the bounty is high, while in other countries a lower rate of bounty is found sufficient to secure an adequate market for Italian rice. For this purpose the countries to which exports have been made are divided into three groups, and a different rate of bounty is fixed for each group. The group to which the highest rate of bounty applies includes South America and most of northern Europe. Exports to the European countries bordering on Italy are subject to the lowest rate of bounty.

The method of dumping according to which the whole production is handled by a single agency has been used in a few countries. An example is the grain monopoly in Yugoslavia. The monopoly formerly purchased the whole wheat crop and charged a price well above export parity on that part of the crop which was sold in the domestic market; exported wheat had, of course, to be sold at the world price. Farmers received the net proceeds of the sale of wheat after deduction of costs of distribution. Thus the price received by the farmer was raised above world price parity, but not by as much as the price paid by the domestic consumer. The procedure was the equivalent, in bookkeeping operations, of the payment of an export bounty out of the proceeds of a levy on domestic consumption. More recently the method of administration, though not the economic principle, of the measure has been changed. The monopoly now handles only wheat for export and is enabled to pay to farmers a price above export parity by receiving the proceeds of a government tax on the domestic consumption of wheat.⁴¹

(e) *Export quotas*.—A method of dumping similar in principle to the foregoing, but unique in the method of its administration, has been applied by the South African Government to corn. At the beginning of each marketing season the government determines what proportion of the crop is to be exported, and every dealing agency (including the cooperative marketing associations) must export that same proportion of the total quantity of corn handled by it. The policy is to fix the proportion in such a way as to restrict the supply and thus to raise the price in the domestic market. The large cooperative organizations, which control a substantial part of the trade in corn, pay their members the net proceeds of their sales, both domestic and foreign, according to the same principle as was indicated above in connection with the Yugoslav grain monopoly. Private dealers are forced by competition with the cooperatives to pay the same price as the latter for their purchase of corn from farmers. Thus far the measure has been rather unsuccessful owing to the existence of large surplus stocks carried over from earlier years.

⁴¹ For further details see appendix.

MEASURES DESIGNED TO CONTROL THE QUALITY OF EXPORTS

The measures designed to control the quality of exports are, like dumping measures, usually a form of international competition in export markets. In the case of all agricultural commodities, quality is an effective weapon of competition, and any improvement of the quality of exports of a commodity from one country will give producers in that country an advantage over producers in other countries. But improvement of quality is not generally regarded as a form of unfair competition, as is dumping. It does not tend to lower the world price of the commodity in question. It may, however, lead the governments of other countries to take action in self-defense. The severity of the German restrictions of butter imports, for instance, is partly due to the fact that the high quality of Danish butter puts German butter producers at a disadvantage.

Examples of the type of measure in question may be found in all countries in which the government provides facilities for grading agricultural products. This is done in the United States as well as in many foreign countries. Some countries prohibit the export of ungraded products or make the grading of certain commodities compulsory. In Denmark butter can be exported only if it conforms to certain standards laid down by the Government. In fact, Denmark has succeeded in building up a very substantial export trade in agricultural products in large part through the attention given by its cooperative marketing organizations and its Government to the maintenance of high quality and standardization. Owing to its export trade, Denmark had during the last decade become one of the most prosperous countries in the world in spite of its very limited natural resources.

In other countries export taxes are imposed on produce that is ungraded or of a low grade. In Poland the Government imposes export taxes on a long list of products that do not conform to established grades and qualities. At the same time an export bounty is paid on the highest qualities of the same products. In Rumania the Government places an export tax on unstandardized eggs, to discourage the exports of eggs that do not conform to the established standards. In Australia and New Zealand the exporting of a number of agricultural products is controlled by export boards. The purposes of these controls are various, but among them one of the principal aims is to maintain a high standard of quality. The New Zealand Fruit Control Board, for instance, places a tax on exports of apples and pears of low quality and provides a bounty on apples and pears of the best qualities.

Another type of export regulation, which is not unlike the foregoing in its aim, is intended to encourage the processing of a raw product in the country which exports it. Such measures are not intended to improve quality in the strict sense, but they do aim to add value to the exported product. As an example, mention may be made of the export tax imposed in Lithuania on raw or unworked flax and on worked flax containing over 15 percent of waste. The purpose of the tax on raw flax is to encourage the processing of flax in Lithuania, while the tax on worked flax containing over 15 percent waste is imposed to raise the quality of the exports of the

product. The latter feature therefore comes under the first rather than the second type. The principal example of a measure of the second type, though not applying to a strictly agricultural product, is the restriction placed on the export of wood pulp from Canada.

EXPORT RESTRICTIONS

There are a number of cases in which governments have endeavored to reduce the total quantity of exports of a particular commodity for the purpose of raising or maintaining the price in the world market, but such measures have been less numerous than the other forms of export aid. Moreover, the present depression has been characterized as least as much by the breakdown of such schemes as by their increase, although measures of this kind are likely to be adopted when an oversupply of the product in question has severely reduced the world price. In fact, some very severe obstacles must be overcome in order to make such measures effective. A single country cannot restrict the world supply of a commodity unless that country happens to be the only important source of the world supply. Further, whenever a country does so restrict the supply, other countries that are capable of producing the product are always likely to increase their production. This difficulty was mainly responsible for the breakdown of the British rubber restriction scheme, and was partly responsible for the breakdown of the Brazilian coffee restriction.

It is for this reason that several attempts have been made to limit exports by international agreement. Several international conferences, with this aim in view, have been held in recent years. Wheat and coffee have been among the commodities proposed for restriction. But international agreements are notoriously difficult to make and put into effect. The only case in which such an agreement designed to restrict exports of an agricultural product has come into operation in recent years is that of the Chadbourne sugar plan which, since May 1931, has been applied to sugar.

It is feasible to restrict exports only if there is at the same time an effective restriction of production. This is true at least in the long run. In fact, all of the schemes to restrict exports have been made effective either by restriction of production, as in the case of Egyptian cotton and henequen in Yucatan, or have involved production restriction as a necessary element of their operation, as in the case of the rubber-restriction scheme, or have been accompanied by some attempt to restrict production, as in the case of Brazilian coffee. The Chadbourne plan combines export restrictions on an international scale with production restriction on a national scale. Moreover, the success of export-restriction schemes has been dependent primarily on the extent to which it has been possible to restrict production. Not only must production be restricted within the country that applies the restriction but there must be no substantial increase in production elsewhere. Since the problems connected with export restriction are largely those of restricting production, and since nearly all the export-restriction schemes that have been put into effect are also in some degree restrictions of production, the discussion of these schemes in detail is reserved for the following chapter.

CHAPTER V

PRODUCTION AIDS AND RESTRICTIONS

The two preceding chapters have described the major types of trade-control measures now in effect which directly influence international trade in agricultural products. All such measures, it was recognized, must tend in some degree to influence the domestic production of the commodity to which they are applied, save in the case where there is no domestic production. This influence upon production may be one of the ends sought or it may be simply an incidental result; but in either case it will certainly not be lacking and may often be large.

There are, however, other measures quite outside the field of foreign trade control, though by no means unrelated to it, which also affect production. It is the main purpose of this chapter to describe and illustrate these, though it will be necessary also to give some further attention to the production aspects of foreign trade controls.⁴² Some of the measures to be described involve direct regulation of agricultural production or of some branch of it; others indirectly influence the volume of domestic production, deliberately or otherwise, but do not directly regulate it. All of them, however, come under the general heading either of production aids or of production restrictions.

PRODUCTION AIDS

The measures to be described in the general group of production aids include both measures involving some degree of direct regulation of output for the purpose of increasing it and measures tending indirectly to stimulate production but not actually regulating it.

DIRECT REGULATION OF PRODUCTION

The furthest development of the idea of production control for purposes of expansion would be found in a country which directly regulated all agricultural production to that end. Actually, we have a situation closely approaching this in Soviet Russia. In Soviet Russia, control of production lies at the center of a comprehensive system of planned economy. Over the economic structure

⁴² From the standpoint of their effects on domestic production or on foreign trade, as the case may be, there is no hard and fast distinction between foreign trade-control measures and production-influencing measures of a more direct sort. Thus, for example, the tendency of import restrictions and of export aids will be to increase the domestic production. Of export restrictions, on the other hand, the tendency will be to reduce it. Even when there is no deliberate restriction of output in conjunction with the restriction of exports, the increase of domestic stocks, unless domestic consumption meanwhile increases sufficiently to offset the reduction in exports, will tend to bring about a decline of prices and hence to discourage production. Conversely, production aids and restrictions must tend to affect the volume of foreign trade in the commodities to which they are applied. A production bounty, if applied to a product which is on an import basis, will tend to reduce imports. And if applied to one on an export basis, it will tend to increase exports. The reverse will be true of output restriction. It will tend to increase imports if the product is on, or sufficiently close to, an import basis (unless, as is likely to be the case, such importation is deliberately prevented). And it will tend to reduce exports if the product is on an export basis.

and resources of the country the authority of the Soviet State is all-pervasive. Prices and profits in a competitive market do not dictate production policies. What shall be produced and in what proportion are matters determined by the Government plan. The acreage to be planted and the amount to be delivered to the State are all fixed by the plan. If, because of its inherent defects or for some other reason, the plan is not fully executed, it is none the less the blueprint to which the State endeavors to compel producers to conform. Costs and other economic considerations must be taken into account in framing the plan, but it is the plan itself which is immediately paramount in relation to production policy.

In formulating its plan, moreover, the Soviet Government definitely aims to increase the total agricultural output.⁴³ In particular areas there may be, and in fact has been, encouragement of one branch at the expense of another; but by and large it is expansion that is sought.⁴⁴

The Russian case is unique in the pervasiveness of government control over economic activity. In no other country is the whole process of production and distribution made subservient to authoritative government direction. But there are instances in the "capitalistic" countries where the government regulates agricultural production in one or more of its phases.

In connection with its intensive program of agricultural expansion the Italian Government actively intervenes to insure more productive use of all land which it finds is not being satisfactorily used. To this end the Government asserts complete authority over private farm management in all cases in which the owner fails adequately to apply the policies laid down by the Government. This it may do either by turning over the management of the land for a period of years to a local farming association or to some other agency, such as an agricultural college, or by actual expropriation.⁴⁵

In Spain much the same sort of thing is done, or at least is contemplated in recent legislation. Since the spring of 1931 successive decrees have gone into effect providing for what may be called "compulsory farming." Under their provisions farming ceases to be merely a private enterprise; it becomes virtually a public utility. Farms or estates that are not operated in accordance with the official program worked out for a particular region may be taken over by the Government for operation. How this system will ultimately work out in practice is not yet clear; but the intent of the Government, and some suggestion of the difficulties encountered, are indicated by the recent issuance of decrees defining in detail the program of farm work to be undertaken in the various regions, to the end that neither the farmers themselves nor the local police charged with enforcement may plead ignorance as to what exactly is to be done. In the present connection it should be observed, of course, that the general agrarian program in Spain, of which com-

⁴³ It is interesting to note here that the Soviet representatives at the London Wheat Conference in May 1931, though they assented to the general principle of establishing export quotas from the wheat-exporting countries, insisted that Russia's quota should be at least equal to its pre-war share of the world wheat export trade and that there should be no undertaking on Russia's part to restrict wheat production.

⁴⁴ For a more detailed account of the methods employed by the Soviet Government, see ch. VII.

⁴⁵ For a summary account of Italian agrarian policies, see ch. VI; and for a more detailed account of the measures applied in executing these policies, see the appendix.

pulsory farming is but a phase, contemplates an increase in agricultural, and especially cereal, production, although the emphasis on this particular object is rather less than in Italy.⁴⁶

Much more prevalent than direct government control of farming operations in general is the regulation of production of a particular crop. Such regulation may be either stimulative or restrictive. We are concerned at this point only with the former. A good illustration, in which the immediate regulation of production is restrictive but in which the tendency of government intervention in its entirety is stimulative, is supplied by the State tobacco monopolies in countries which grow leaf tobacco. Among these countries the ones that also import large quantities of leaf tobacco are France, Spain, Poland, and Czechoslovakia; those that are virtually self-sufficient are Italy, Rumania, Yugoslavia, and Japan; and those that are definitely on export basis are Turkey and Hungary. In all these countries, and in some others that do not have monopolies but that nevertheless give artificial encouragement to domestic tobacco growing,⁴⁷ there appears to be at least some measure of direct governmental regulation or supervision of the quantity, type, or condition of production.

The methods of regulation employed are various, but they are usually administered through the issuance of production permits to the individual growers, subject to conditions laid down by the Government. Thus, for example, in Spain the area planted in 1932-33 is restricted to a maximum of 5,000 hectares; the number of growers to receive permits may not exceed the number in 1931-32, with preference given to those already growing tobacco; the number of plants per grower may not be less than 2,000 nor more than 150,000 (the latter may be exceeded under certain conditions); the number of plants per hectare is fixed on the basis of type of tobacco and soil conditions; and the number of leaves to be left on each plant is officially determined in the light of the condition prevailing in the particular locality. In Japan the Government tobacco monopoly regulates the variety and area that each district may plant, and individual permits are issued after the acreage applied for has been scaled down in accordance with the general acreage allotment for that particular district. In Turkey the particular areas to be planted, the type to be grown, and the production and marketing of the crop are under official supervision. In Hungary the Government requires that a

⁴⁶ The similarity between the two countries in the particular matter of compulsory farming must not be taken as indicating complete similarity of agrarian programs. Actually, there are marked differences. In Spain, basic land reform, involving the breaking up of large estates through expropriation, is contemplated in recent law (September 1932). Expropriation is not an incidental, but a main, feature, just as it was in eastern European countries in which agrarian reforms have occurred since the World War. The social problem of promoting family farming and settlement of the landless farm workers is especially emphasized. Moreover, although family farming is contemplated in considerable areas subject to expropriation, much of the expropriated land is to be farmed collectively. Only to a limited extent is this latter phenomenon paralleled in Italy; and in other European countries where agrarian reforms have occurred, except in Russia, it finds no parallel. Still another difference is that in Spain actual ownership is not granted to the peasants who are settled upon the expropriated land.

⁴⁷ In Germany, for example, following marked expansion of domestic production under artificial stimulus, a decree of Dec. 1, 1930, limited the area planted in the different provinces to the maximum grown during one of the crop years 1927, 1928, or 1929. And in Switzerland a government loan to the growers in 1930 was made conditional upon guarantees of the latter to restrict tobacco cultivation for 5 years to limits set by the government. In Greece, where the industry is on an export basis, there is no government monopoly, but intervention in the form of financial assistance, government purchase and disposal of old and deteriorated stocks, prohibition of tobacco cultivation in certain areas, and in other ways has been a feature.

grower, in order to obtain a permit, must own an area of land suitable for tobacco growing equal to at least five times the area he is to plant.

Unaccompanied by positive measures to stimulate production, such regulation, in and of itself, would have to be regarded as restrictive. But as a matter of fact the regulation is always accompanied by stimulative measures. In those countries that are on a net-import basis, such measures are predominantly of an artificial price-supporting character involving the restriction of imports. If there is a monopoly, imports are directly regulated by the monopoly, and this regulation is accompanied by payment of higher prices for domestic leaf than would have to be paid for the same grade if imported. If there is no monopoly, reliance is usually placed upon tariff or other restrictions on imports or higher internal excise taxes on imported than on domestic leaf to give a price advantage to the domestic producer. In those countries that are on an export basis, while there may also be import restrictions affecting prices of certain grades in which domestic production is deficient or lacking, chief reliance must naturally be placed on measures designed to increase the competitive strength of the industry in foreign markets. In either case, however, the result is a tendency to stimulate domestic production.

The net situation is, therefore, that in most of these tobacco-growing countries, and especially in those that have monopolies, there is what may be termed "regulated stimulation" of production. Artificial aid is given to domestic producers, but not unconditionally. In the importing countries fiscal considerations, the interests of consumers, the general market situation, and other matters must be taken into account. Likewise, in the exporting countries in which there is government intervention, fiscal considerations, the state of competition and demand in foreign markets, and other factors must be taken into account in regulating production and marketing. Insofar as there is regulation of production in the various tobacco-producing countries, it is employed not to reduce output as a whole (though it may do so for particular types) but to adapt the operations of the domestic industry to the broader requirements of the country's fiscal and economic position. In a particular country, as for example in France, it may turn out that there is actually no tendency for domestic production to expand, yet production is presumably greater than it would have been in the absence of government intervention. In fact, however, in most of the countries having monopolies, production has been increasing.⁴⁸

Tobacco is but one of many cases that may be cited to illustrate the principle of "regulated stimulation" of production of a particular agricultural commodity. Another illustration, one in which there is widespread interest just now, is the proposed "pig reorganization scheme" in the United Kingdom.⁴⁹ This plan, drawn under procedure laid down in the British Agricultural Marketing Act of 1931 but for the actual application of which a broadening of the scope of the act is now pending, contemplates the regulation of total supplies of bacon and ham marketed in the United Kingdom in such manner as (a) to iron out the cycle of production and prices, and

⁴⁸ Concerning further details, see ch. X.

⁴⁹ For more detailed information concerning the scheme, see the appendix. For full details, see the Report of the Reorganization Commission for Pigs and Pig Products, Ministry of Agriculture and Fisheries, United Kingdom (October 1932).

(b) to increase, first, the home-produced, and second, the Dominion, share of the total supply offered. To this end the Pig Reorganization Commission recommends that, beginning July 1, 1933, the total volume of supplies, domestic and imported, be limited to the average of the 6 years 1925-30, or about 1,195 million pounds per annum. This would involve a very considerable reduction below the total in 1931 and in 1932. But in the future allocation of quotas amongst domestic, Dominion, and foreign sources, expansion rather than restriction of home-produced supplies is contemplated. The plan contemplates expansion at a uniform rate under a system of contracts for delivery to the bacon factories at regulated prices. The rate of increase of deliveries is not to be permitted to exceed 10 percent in every 4 months. This would permit production to double approximately every $2\frac{1}{2}$ years. Thus, though the scheme actually regulates only marketing, it ultimately involves what amounts to "regulated stimulation" of production.⁵⁰

Other cases may be cited in which artificial assistance to the producers is accompanied by some sort of ultimate, but direct, limitation of output. In the United Kingdom what amounts to a production bounty on wheat, in the form of a minimum price guarantee the costs of which are ultimately assessed upon domestic consumers of flour, cannot, under existing law, be paid upon more than 27,000,000 hundredweights (50,400,000 bushels) of home-grown, millable wheat. One of the main objects of this bounty is to promote the extension of wheat raising into certain parts of the United Kingdom where it is felt that its production will be advantageous in the agricultural economy as a whole. Beyond that point artificial support of the industry is not intended to go.⁵¹ In the Netherlands a bounty to wheat growers in the form of a minimum price guarantee, adopted in 1931, resulted in such an expansion of acreage in 1931-32 that for the current crop year (1932-33) it is provided that no wheat grower shall plant more than one third of his 1932 crop land to wheat, and no grower who has violated this regulation is eligible to the price guarantee on any of his wheat.⁵²

Sometimes the direct limitation accompanying the general program of assistance to the industry takes the form primarily of regulation of the conditions rather than of the amount of production. Some of the restrictions already mentioned with respect to tobacco are of this type. In France a 10-year subsidy to the olive industry, dating from 1932 and taking the form of a payment of so much per tree if certain minimum conditions in caretaking are met, is doubled and even trebled, provided certain further conditions as to caretaking or planting are observed. In Spain a per acre subsidy to the corn (maize) growers in certain areas in 1929-30 and 1930-31 was made subject to close governmental supervision of the conditions of production. The same is true of the per acre subsidy to cotton growers, together with a minimum price guarantee, under which it is being sought to expand cotton growing in Spain.⁵³

⁵⁰ This "regulated stimulation" of production is only partial, since the plan applies only to bacon and ham and not to fresh pork. A farmer is free to sell any hogs he pleases for the fresh-pork market, and it is possible that a surplus of the "bacon-type" hogs might be directed into this channel.

⁵¹ For further details concerning the British Wheat Act of 1932, see the appendix.

⁵² For further details, see the appendix.

⁵³ All of these illustrations are described in more detail in the appendix.

INDIRECT AID

There remain to be discussed, under the general head of production aids, those measures that tend to increase output, or to check its decline, by making the total financial returns of the producers larger than they would otherwise be, but that do not involve any direct regulation of the amount or conditions of production.⁵⁴ These commonly take the form either of direct payments by the Government to the producers, such as production bounties or premiums, or of measures to increase the prices of their products. In either case production may be profoundly affected.

There are, however, important differences between the two which should be noted in the present connection. One is that production bounties and other direct payments to producers are much less prevalent than price-supporting measures. Another is that the maintenance or stimulation of production as an immediate end appears to be more commonly associated with bounties than with price-raising measures, though there are important exceptions. A third is that bounties are usually accompanied by some prior limitation on the amount, the conditions of payment, or the period of duration. Whether because this kind of aid is so clearly an outright gift or for some other reason, such is usually the case. A few illustrations of production bounties may be cited for the purpose especially of emphasizing this last point.

1. *Production bounties*.—In one type of case the limitation takes the form of a graduated reduction of the amount of the bounty. The British bounty to the sugar-beet industry, under the Sugar Subsidy Act of 1925, involves a diminishing payment to the sugar-beet factories over a period of 10 years from 1925, to be reflected at least in part in prices paid to the growers, and is accompanied by a guaranteed minimum price to the growers throughout the 10-year period. The Australian bounty on flax, under the Flax and Linseed Bounties Act of 1930, consists of a payment of 15 percent of the cash selling value of the flax during the first 2 years, 10 percent the next 2, and 7½ percent the last year (1935), with the further limitation that the total amount of the bounty payment in any one financial year is not to exceed £20,000 (except as credits may be carried over from the preceding year). Similarly, the Australian bounty on seed cotton, under the Cotton Bounty Act of 1926, provided for a 5-year bounty of 1½d. per pound on the better grades of cotton and ¾d. per pound on the lower grades, with the proviso that the total payment in any one year must not exceed £120,000. An accompanying bounty on cotton yarn from native cotton was limited annually to £60,000. In 1930 a new act provided for a gradual reduction of both bounties over the next 5 years, the rates on seed cotton in the last year (1936) being ½d. for the higher and ¼d. for the lower grades; and the amount of the combined payments in respect to seed cotton and cotton yarn in any one year was set at not to exceed a total of £260,000.

In a slightly different case from the foregoing the limitation is made to hinge upon price. In France a production premium of 7

⁵⁴ No attempt will be made here to include measures of intervention that seek, by reducing costs of production or of marketing, to increase the net incomes of the producers, although it is recognized that these also would tend to stimulate output or to check its decline.

cents a pound on flax fiber in 1931-32 was accompanied by the condition that payment should cease if the price of Russian flax (no. 4, first quality) on the Lille Flax Exchange exceeded 12 cents a pound.

Finally, the limiting condition may be wholly on the side of period of duration. The Canadian and the Australian bounties to the wheat growers in 1931-32, granted only for a single year and not renewed in 1932-33, are examples. Incidentally, they are also among the exceptions noted above in connection with the statement that the maintenance or increase of production is likely to be an immediate object of the bounty payments. For in these two cases, and in others, some of them arising especially out of the world agricultural crisis, the paramount consideration was the extension of financial relief to the producers, and not any immediate desire to expand production or to prevent its decline.

2. *Trade control measures.*—Much more prevalent than bounties among the measures of indirect aid to production which operate through higher gross income, are those measures that are of a price-supporting character. Among these, foreign trade controls, either in the form of import restrictions or of export aids, are by far the most important.

Here too, but much less commonly than in the case of production bounties, the production effects of the measures adopted may be limited by a certain flexibility in the measures themselves. This is true, for example, of sliding-scale tariffs. Even though the primary purpose of the sliding scale may be to reduce the burden of the tariff on consumers when prices are high, the tendency is also to check an overstimulus to production. In Chile the sliding-scale tariff on wheat provides for complete removal of the duty when the price rises to 40 pesos per 100 kilos.⁵⁵ In Egypt a similar system is in effect for wheat, except that there is a minimum duty. Indeed, in every case where there is a sliding-scale tariff on a commodity of domestic production, the point holds.

It is likewise true of flexible import restrictions of other kinds. In Japan the Government suspends its licensing restrictions on rice imports when prices rise unduly. In Spain the prohibition on imports of wheat is lifted and import permits are issued when the price reaches 53 pesetas per 100 kilos (\$1.45 a bushel at exchange, May 1, 1933). In Portugal a somewhat similar scheme, further reinforced by a per-acre subsidy on new lands devoted to wheat, is in operation. In all the countries imposing milling quotas on wheat or rye, the foregoing ends are subserved by changes in the quota. The same thing applies to mixing regulations, linked sales, and the like, described in an earlier chapter; indeed, to any flexible system of import restriction. And it applies also to sliding-scale bounties on exports, such as those on Portuguese East African cotton and Egyptian beans mentioned in the preceding chapter.

By and large, however, the tendency of import restrictions and export aids to stimulate production is likely either to be ignored or to be definitely recognized as one of the ends for which the measures are adopted; and if there is a certain measure of flexibility in the

⁵⁵ Equivalent to \$1.32 a bushel at par and to 68 cents a bushel at the rate of exchange on May 1, 1933.

manner of their application, this is likely to be owing to considerations other than a desire to limit their effects upon production.

Take import restrictions as an example. Not only do they tend to stimulate, or to check a decline of, production in countries that are on a deficit basis, but this is usually one of their deliberate objects. Especially is this likely to be the case if the country in question is anxious, on grounds of national safety, to avoid too great a dependence upon foreign countries for products essential to subsistence. Other long-run considerations may also enter, such as the desire for a large rural population as a stabilizing influence in the social fabric. Germany illustrates both considerations. More immediate motives may be the desire to soften the shock of collapsing prices in time of severe depression, or to protect the national currency from the effects of dangerous inroads into the national gold reserves. But back of these immediate considerations, in countries like Germany, France, and Italy, there always exists the desire to keep agricultural production from declining to a point too far short of the requirements for national self-sufficiency. Hence there is no thought of limiting the expansion of output arising from such restrictions; indeed, quite the contrary.

Differing in motive, but illustrating the same general point, is the case where a government undertakes, by stimulating production of other crops, to diminish the production of a particular one. In Cuba and Egypt the desire to diversify production and thus to become less dependent on a 1-crop economy (sugar and cotton, respectively) has led to increasing governmental effort, through tariffs and in other ways, to encourage the growing of other crops.⁵⁶

Production stimulation is much less likely to be a deliberate object in the case of export aids, although the case of Soviet Russia is an important exception. Nevertheless, their stimulative effect on production is usually not checked in any way. This applies, for instance, to the various wheat export-dumping schemes in the Danubian countries and to such export aids as have been applied to wheat in the other leading wheat-exporting countries. It is true that the incentive to prevent these aids from too greatly stimulating production is diminished by the fact that they have not kept the prices obtained for the assisted products from declining during the last few years. Hence there has been no actual price incentive to increase production. But insofar as they may have tended to check a decline in, even though they did not stimulate, production, they have been permitted to do so.

RESTRICTION OF PRODUCTION

We turn now to a discussion of measures that are intended to be positively restrictive, to bring about an absolute reduction of agricultural output. Though there may be such restriction in branches of agriculture that are on an import basis, most of the familiar and important illustrations are in respect to commodities that are on an export basis. When the industry is on an import basis, ready means are at hand for restricting supplies offered in the domestic market

⁵⁶ Concerning the motives for import restriction in various countries, see what was said in ch. III.

and thus raising the price of the domestic product. In some measure, at least, restriction of imports will accomplish the purpose.⁵⁷ Not so, however, in the case of products that are on an export basis. Hence it is among these products that the more striking examples of production restriction are found.

The motive for such restriction is either to raise the price in the world's markets above its existing level or to prevent it from declining as much as it would in the absence of restriction.⁵⁸ There are two main types of policy in this connection. The more common one is the monopolistic type of restriction, in which a country or a group of countries, able to control the major part of the world supply, attempts to reduce the total amount of that supply in order to make the price higher than it would be under free competition. The cases of Egyptian cotton and Malayan rubber are illustrations. The other type of control is that which is used primarily to prevent the operation of a dumping scheme from evoking excessive exports and so to avoid a consequence which would lead to its ultimate failure. In the first case the paramount consideration is the price in the world market. In the second, it is the price in the domestic market, the purpose of the restriction being, rather, to avoid or minimize losses in the export market.

As was indicated in the previous chapter, restriction of exports and restriction of production are intimately connected. Sometimes, as in the cases of Egyptian cotton and of henequen in Yucatan, there is no provision for restricting exports as such, but the same thing is accomplished by restricting production. Sometimes it is the reverse; exports are restricted. When this is done, however, either the conditions are such that the export restriction is tantamount to production restriction, or, if they are not, the export restriction is likely to be implemented by measures intended to restrict production. Illustrations are, respectively, the Stevenson rubber restriction scheme and the existing international (Chadbourne) sugar agreement. Under the Stevenson scheme (abandoned in 1928) production of each plantation was, in effect, controlled through an export tax which was made prohibitive for amounts in excess of those allotted to individual producers.⁵⁹ Under the sugar agreement each participating country is required to limit its exports to a stipulated amount, and Cuba is required to limit its production also. The other participating countries restrict their own production as they see fit with a view to keeping their exports within the allotted quota and their domestic prices at a satisfactory level.

Though the problem of restricting output of agricultural products has been much in the foreground in recent years, and many proposals to restrict production or exports have been put forward, the proportion of the world's agriculture to which such measures have been actually applied is not large. In agriculture the conditions are on the whole less favorable to control of total output of a commodity than in other industry, owing to the large number of producers. But there are considerable differences among particu-

⁵⁷ Restriction of production, or rather, limitation of expansion, may be resorted to in order to make the tariff still more effective in raising the price of the protected commodity.

⁵⁸ Save in those cases where, strictly speaking, there is no "world market."

⁵⁹ This, of course, would not literally prevent production in excess of the export quota; but in the absence of a domestic outlet there would be no market for the excess.

lar branches of agriculture in regard to the ease or difficulty with which restriction can be applied. One factor is the extent to which production, by reason of natural or other conditions, tends to be localized within the confines of a particular country, or perhaps in not more than two or three. Manifestly, successful control to raise prices is easier under such conditions.⁶⁰

Another factor is the nature of the organization of the industry. If large scale organization predominates, as in cane sugar and rubber, the sugar mills and the rubber plantations are focal points through which restriction can be administered. In rubber, when the Stevenson scheme was first applied, most of the production was on large plantations, and the output of each producer was not hard to ascertain. Other commodities, such as sugar, are the result of processing an agricultural product which, because of its bulky character and perishability, must be produced near the mill in which it is processed. The individual mills are sufficiently large to permit control of their output with relatively little difficulty, and from each mill the production of cane or beets in the area from which it is supplied can be controlled. On the other hand, the control of wheat or cotton acreage obviously presents much more formidable difficulties.

A factor that facilitates temporary restriction of production or exports is the nature of the product itself, or of its production. The harvesting of rubber, for instance, can simply be postponed. The same is true to a lesser degree of sugarcane. The Cuban Government has sometimes ordered postponement of the cutting of the cane. Another factor is the degree of perishability of the product, as it relates to storage over extended periods. In this regard such commodities as cotton, coffee, and wheat have distinct advantages over the more perishable commodities. Still another factor which renders possible the restriction of supplies, though not, strictly speaking, of production, is the possibility of disposing of a part of the product in some secondary use. Thus Greece has restricted supplies of currants in the world market by diverting part of the crop into industrial uses.

The means of restriction are varied, depending upon the circumstances of the particular case. The restriction may be through limitation of acreage, of the number of plants or trees per acre, of the types that may be grown, of the region within which planting may occur, of the quantities that may be marketed, and so on. Special taxes or prohibitions on new plantings, restriction of exports in such manner as virtually to limit output, allocation of production quotas, and other devices are employed. A few of the outstanding examples will be briefly described in order to illustrate some of the variations in methods and in the conditions under which restriction is applied.

In Egypt the Government definitely restricts cotton acreage. For more than a decade restrictive legislation has been in effect from time to time. In 1926 a law was enacted restricting plantings in 1927-28, 1928-29, and 1929-30 to one third the total number of

⁶⁰ Even under these conditions, competition from outside sources, either in the product itself or from some substitute, ultimately sets fairly definite limits upon the control, as is shown by the history of the coffee, rubber, and of various other attempts at control. For a more detailed account of such experiences, see Wallace, B. B., and Edminster, L. R., *International Control of Raw Materials* (Brookings Institution, 1930).

arable acres.⁶¹ In February 1931, a decree limited the planting of Sakellaridis cotton to certain specified areas in the northern zone of the delta during the three crop years 1931-32 to 1933-34, and within these areas specified that the area planted by each individual should not exceed 40 percent of the total area of land held by him. In September 1931, however, this ratio was reduced, for the single year 1931-32, to 30 percent. At the same time another decree limited the area planted to cotton in any other part of Egypt during the 1931-32 season to 25 percent of the total land area held. Late in 1932, however, the restrictions for the next year's planting were greatly relaxed, maximum percentages being raised, on Sakellaridis (in the northern zone of the delta) to 40 percent, and on other varieties (mostly in other sections of the country) to 50 percent.

Brazilian coffee constitutes a well-known historical case. But in this instance, at least until recently, efforts at production restriction were always an incidental and largely ineffective part of the Government's policy of intervention. From 1905, when the first experiment with coffee valorization began, on through the various attempts at valorization and defense of coffee extending through the decade following the World War, the regulation and restriction of coffee exports in such manner as to secure higher average prices in foreign markets than would otherwise be obtained, was the central feature of the intervention. Restrictions upon the planting of new trees were in effect from the beginning, but they were largely nominal. In 1929, when prices collapsed and the period of painful liquidation which still continues set in, stocks of coffee had risen to the level of practically an entire annual crop. From that time the problem became the dual one of disposing of stocks already accumulated and of preventing further accretions from current crops. To this end special taxes have been levied on coffee shipped out of the producing States, the proceeds being applied to "the purchase for elimination of the excess of production and of actual stocks, for the balancing of supply and demand." Large stocks have been burned. An annual tax of 1 milreis⁶² per tree was for a time levied on new plantings, other than replacement of worn-out trees. A more recent order prohibits for 3 years from November 1932 all new plantings, including substitution for fields abandoned.

Yet another example is sugar. Underlying the restrictive programs of several countries relative to sugar production is the International Sugar Agreement, or Chadbourne Plan. This agreement, entered into in May 1931 by Cuba, Java, Germany, Czechoslovakia, Poland, Hungary, and Belgium, and subsequently adhered to by Peru and Yugoslavia, provides for restriction of exports on the part of a group of countries which together produce some 40 percent of the world's sugar and whose exports comprise about 90 percent of world sugar exports. The total volume of exports of sugar was limited to a definite figure and a specific quantity of stocks already on hand was set aside under the designation of surplus stocks, to be disposed of at a certain rate. Although restriction of production was not provided for explicitly, it was agreed that each signatory

⁶¹ These laws were never fully enforced, although they were partly effective in years of low prices. For further details concerning Egyptian cotton restriction, see the appendix.

⁶² Equivalent to 7.630 cents in United States currency at current exchange as of May 1, 1933.

country should so adjust the production of sugar that its output, plus the annually disposable part of its surplus, should not exceed domestic consumption plus an export quota assigned to it in the agreement.⁶³ It will suffice here to note briefly the manner in which production is controlled by some of the leading participants.⁶⁴

In Cuba, control of production is effected through the allotment of grinding quotas by the Sugar Export Corporation to the individual mills. At the beginning of each grinding season the Sugar Export Corporation furnishes the President of Cuba with a statement of the quantity of sugar to be exported to the United States, the quantity to Europe, the quantity likely to be consumed in Cuba, and the quantity to be ground by the mills in the forthcoming year. Upon this basis the President legally establishes, by administrative decree, the total quantity that may be produced. The Sugar Export Corporation then allots to each mill the maximum quota it may grind.⁶⁵ Heavy fines are imposed for violations. In Java the restriction of output, until late in 1932, was left to private control through an association of sugar manufacturers popularly known as the V.I.S.P. (the Vereeniging van Indische Suiker Producenten). Recently, complete control has been taken over by the Government, which has set up a marketing monopoly, the Nederlandsch-Indische Vereeniging voor den Afzet van Suiker, known as the N.I.V.A.S. All production as well as sale of sugar will be under strict supervision, each estate sharing according to its size in the production and sale of sugar. With 2,850,000 tons of unsold sugar on hand on January 1, 1933, it was reported that acreage would be reduced by about 53 percent, but that this would probably mean a much smaller reduction of output. In Germany the Government, operating through an organization set up in 1931, known as the "Economic Union of the German Sugar Industry," fixes a total national quota for domestic sales and individual quotas for the factories.⁶⁶

⁶³ Concerning further details of the agreement and the methods of applying it, see ch. XIV and also the appendix (under Cuba).

⁶⁴ Restriction of the production of sugar is also practiced in countries not members of the International Sugar Agreement. Such, for example, is the case in Argentina and Brazil. The exports of sugar from Argentina and Brazil are very small compared with their total output, both countries being close to a domestic basis. Nevertheless, the control and elimination of the surpluses have recently been undertaken in these countries. In Argentina both the production and distribution of sugar have been placed by a sugar production law under the control of a National Sugar Commission. During the crop year 1931-32, production in the Argentine Province of Tucuman (which accounts for about three fourths of the Argentine production) was limited by decree to 278,000 metric tons; and production in the Provinces of Salta and Jujuy (producing the remainder) was limited by agreement between the producers and the commission to 90,000 metric tons. The legally fixed total of 368,000 metric tons represented a reduction of 4 percent from the previous year's output of sugar; but the crop actually turned out to be only about 346,000 metric tons, representing a reduction of about 10 percent from the previous year. Subsequently, it was reported that the National Sugar Commission planned a further reduction of 124,000 metric tons for the next 3 years. In Brazil a price-stabilization plan in effect since December 1931 includes control by the Ministry of Labor, Commerce, and Industry of both the supply and the price of sugar. When quotations at Rio de Janeiro fall below a given minimum, stocks are exported; when they rise above a slightly higher maximum, stocks are sold on the domestic market. These minimum and maximum prices are 39 and 45 milreis per bag of 132.3 pounds, respectively (3.5 cents and 4.1 cents a pound at par; 2.2 and 2.6 cents a pound at current exchange as of May 1, 1933). To insure stabilization of the price of sugar above the lower limit, the supply is limited by assigning an output quota to each sugar mill in Brazil, a fine of 20 milreis a bag (1.8 cents a pound at par; 1.2 cents a pound at current exchange as of May 1, 1933) being imposed for excess grinding. For further details regarding the Argentine and Brazilian sugar controls, see the appendix.

⁶⁵ The corporation issues to each mill certificates of identity for sugar to be exported to the United States, sugar to be exported to other countries, and sugar for domestic consumption. Exports may not be made except pursuant to the tender of said certificates of identity for a number of sacks equal to the number it is desired to export.

⁶⁶ For further details concerning Java, Germany, and other countries both within and outside the international agreement, see ch. XIV and also the appendix.

One of the most recent and interesting schemes of restriction is the Netherlands hog-control scheme. The principle of the scheme appears to represent a combination of the equalization fee idea and production control. An official organization, known as the "Netherlands Hog Central", is given a monopolistic control of foreign trade, the right to establish a price stabilization fund, and the right to control production. The stabilization fund is procured by taxing all hog slaughter (for sale). Prices paid to producers are fixed well above the export level, the losses being met out of the stabilization fund. Provision is then made for limiting production through a system of earmarking. The total number that can be marked is fixed by the Government, and allocations to individual producers are made through the provincial "Hog Centrals" which are constituent parts of the national body. Since only hogs thus officially marked can be sold, the actual result is production control.⁶⁷

Other examples of production restriction include henequen, rubber, and a pending scheme for tea. In Yucatan the production of henequen is restricted to 80 percent of the 1929 output. Each producer is given a maximum individual quota for delivery equal to 80 percent of his 1929 deliveries. The entire scheme is administered by the Yucatan Henequen Cooperative, Ltd., which is a semiofficial organization possessing virtually a monopoly over production and trade.

In the case of tea, restriction of exports is contemplated in a recent agreement, not yet ratified, between the British and Dutch tea-growing interests in British India, Ceylon, Java, and Sumatra. Following the failure of a production-restriction agreement in 1930, a new agreement was worked out late in 1932.⁶⁸ The abandonment of the earlier scheme was alleged to be owing to the failure of the Dutch authorities adequately to control the native producers. It was therefore proposed that the new scheme, which is to run for 5 years, should be controlled by the respective governments.

The proposals submitted are said to have the support of approximately 93 percent of the tea interests in these tea-growing areas. Supplies are to be restricted by means of export quotas, each country being entitled to have its export quota based on the year of maximum exports between 1929 and 1931. The initial quota is to be fixed at 85 percent for the first year, and subsequent quotas are to be determined at the end of each year. Existing tea areas are not to be extended during the 5-year period and further areas are not to be leased or sold for tea cultivation. The measures will be submitted to the proprietors of tea estates in the form of a referendum, and if the referendum is favorable the sanction of the governments concerned will be sought.

The Stevenson Rubber Restriction Scheme in British Malaya, in effect from 1922 to 1928, may be mentioned, finally, as a case in which restriction took the form of flexible control of exports on a sliding scale of releases upward or downward according to fluctuations in the price. Each rubber estate was assigned a "standard production"; but the total "standard production" for all the estates was less than their aggregate productive capacity by amounts variously

⁶⁷ See ch. IX and also the appendix for further details.

⁶⁸ Those represented in the conference were: The Indian Tea Association, the Ceylon Association in London, the South Indian Association in London, the British Chamber of Commerce for the Netherlands East Indies, and the Amsterdam and Java Tea Association.

estimated at from 13 to 20 percent.⁶⁹ The act then provided that the quantity exported should vary with the price of rubber in London. In the beginning the "fair price" was set at 1s. per pound. For the first 3 months no plantation could export at a rate in excess, on a full-year basis, of 60 percent of its "standard production."⁷⁰ If during that quarter the price averaged less than 1s. per pound, the percentage of "standard production" permitted to be exported during the next quarter was reduced to 55 percent, and so on until the minimum of 1s. per pound was attained. If, on the other hand, the price averaged in excess of 1s. 3d. per pound in any quarter, the percentage to be released in the following quarter was increased by 5 percent, and so on. Thus the pivotal points were 1s. and 1s. 3d. In 1926, when prices were sharply declining after a previous rise to fantastic levels, the "fair price" was re-defined at almost twice the original level. In 1928, owing chiefly to competition from the Dutch plantations, which had refused to come into the scheme, the whole project was abandoned.

⁶⁹ Wallace, B. B., and Edminster, L. R., *International Control of Raw Materials*, p. 175 ff.

⁷⁰ Exports in excess of the assigned quota were subject to prohibitive taxes.

CHAPTER VI

AGRARIAN POLICIES OF SELECTED COUNTRIES: DEFICIT COUNTRIES ⁷¹

In the present chapter an effort is made to outline briefly the outstanding features of the agricultural policies of four of the leading agricultural deficit countries, namely, Great Britain, Germany, France, and Italy; to show the fundamental bases of these policies; and in particular to trace the development of restrictions on imports of agricultural products into these important markets in recent years.

In all these countries self-sufficiency with respect to agricultural products has made great headway in recent years and each country is making particularly determined efforts at the present time to exploit to the fullest possible extent its resources for agricultural production. This tendency is, in part, a reflection of the growth of economic nationalism since the World War. In Germany, France, and Italy protection of domestic agriculture has long been a cardinal point of national policy. But the necessity of achieving a more favorable balance of international payments has recently been an additional, important cause of the rise of import barriers. Not only has it served to intensify the earlier protectionism of the three foregoing countries, especially that of Germany, but it has also played an important part in the recent abandonment by Great Britain of an historical policy of free trade and the adoption of a general policy of protection which includes encouragement of its domestic agriculture and (perhaps of even greater significance for American agricultural exports) definite and substantial preference in the British market for the products of the Empire.

UNITED KINGDOM

The outstanding importance of Great Britain as a market for agricultural products makes its agricultural policy of special significance to American agriculture. From the time of the repeal of the corn laws in 1846 up to 1931 Great Britain provided the greatest open market for the products of agricultural exporting countries, and during all this time British agriculture was virtually unprotected from foreign competition. The few duties that were imposed were

⁷¹ Among the references consulted in the preparation of this chapter, in addition to reports from representatives in Europe of the United States Government, were: Royal Institute of International Affairs, *World Agriculture: An International Survey*, 314 p., London, 1932; *Deutsche Agrarpolitik im Rahmen der Inneren und Ausseren Wirtschaftspolitik* * * * im Auftrage des Vorstandes der Friedrich List-Gesellschaft, 3 v., Berlin, 1932; Gt. Brit., *Agricultural Tribunal of Investigation, Final Report*, 405 p., London, 1924; Orwin, C. S., *The Future of Farming (in the United Kingdom)*, 156 p., London, 1930; Tugwell, R. G., *The Agricultural Policy of France*, *Polit. Sci. Quart.* 45: 214-547, 1930; Clapham, J. H., *The Economic Development of France and Germany, 1815-1914*, 420 p., Cambridge, Eng., 1921; Sering, Max, *Die Deutsche Landwirtschaft unter Volks- und Weltwirtschaftlichen Gesichtspunkten*, Germany, Reichsministerium für Ernährung und Landwirtschaft, *Berichte über Landwirtschaft*, n.f. 50. Sonderheft 954, 66 p., Berlin, 1932.

on noncompetitive products and chiefly for revenue purposes, although they also provided, starting with 1919, an effective basis for preferential treatment for Dominion products. Otherwise, with the exception of schemes for encouraging settlement on "small holdings", temporary price guaranties for wheat and oats during and immediately following the World War, and a subsidy for sugar beets inaugurated in 1925, there was practically no attempt on the part of the British Government to bolster the position of agriculture by price fixing or other forms of aid. In short, unlike the other industrial nations of western Europe, Great Britain pursued a *laissez-faire* policy with respect to its agriculture, while on the other hand industrialization was so emphasized that in recent years less than 7 percent of the gainfully employed workers in the United Kingdom have been engaged in agricultural pursuits. This compares with over 50 percent in Italy, about 40 percent in France, and 30 percent in Germany.

That this decline in British agriculture has not been viewed with unconcern by the Government, especially since the war-time threat of food shortage, is indicated, in part, by a number of official inquiries starting during the war into the position of agriculture and its possible remedy. The latest of these, the Agricultural Tribunal of Investigation, appointed in December 1922, came to the significant conclusion that, unless large-scale experiments could demonstrate that stock and dairy farming in Great Britain could be made to pay, the only alternative to the continued decline in British agriculture was a resort to protective measures. But in spite of this growing realization of the difficulties faced by British agriculture, particularly field-crop production, it was not until the financial crisis of 1931 that the die was finally cast in favor of protectionism.

With the establishment of the National Government in the autumn of 1931 it became clear that some kind of protective legislation would be enacted as soon as the new Parliament assembled. In order to forestall the heavy imports already being made in anticipation of a protective regime, a law was enacted giving the Board of Trade discretionary power to impose duties up to 100 percent *ad valorem*. Under the authority of this law, known as the Abnormal Importations Act, effective on November 24, 1931, duties were levied on a wide range of industrial products. This act did not apply to agricultural products, but on December 11, 1931, the British Parliament adopted the Horticultural Products Act, which authorized the Ministry of Agriculture to impose duties up to 100 percent *ad valorem* on fresh fruits and vegetables and other horticultural products except on products of Empire origin. Duties were accordingly levied on a seasonal basis on a long list of fruits, vegetables, flowers, and nursery stock. These duties affected principally exports from near-by continental countries and, with one or two exceptions, such as fresh plums, did not apply to items exported in significant quantities from the United States to Great Britain.

On March 1, 1932, a general tariff went into effect. This act imposed a general duty of 10 percent *ad valorem* on all imports from sources outside the Empire except on products already subject to import duties, such, for example, as tobacco, and a few specifically exempted items. Among these exempted items were included not

only such noncompetitive products as cotton but also the principal products competitive with British agriculture, notably meat and wheat. With respect to such leading items of food, decision as to import restriction was in the main deferred, pending the outcome of imperial preferential negotiations. Finally, at the Imperial Economic Conference at Ottawa in August 1932 provision was made for the complete application of the principle of preferential treatment for Empire products.

It will suffice to note here the agreements of special interest from the point of view of United States exports to Great Britain.⁷² These include provision for a duty on foreign wheat imported into Great Britain of 2 shillings a quarter of 480 pounds (6 cents per bushel at par and about 4 cents per bushel at the then current exchange); a duty on foreign apples of 4 shillings sixpence per hundredweight (43 cents per bushel of 44 pounds at par and 30 cents per bushel at exchange then current); and arrangements for regulating the quantity of imports of pork and other meats and meat products into the British market. The wheat and apple duties were ratified and became effective in November 1932, and quotas for foreign meat have been in effect since December of that year. While the agreements growing out of the Ottawa Conference definitely established the policy of Empire preference, there was nevertheless a clear determination on the part of the British representatives to give first support to British agriculture.

The support has not been confined to the establishment of tariffs and other restrictions on imports. Even before protectionism set in, efforts had gotten under way to give more active assistance to British farming, with the emphasis resting upon measures other than import restriction. One of these was the Agricultural Produce (Grading and Marking) Act of 1928, the purpose of which is to secure for the producers more satisfactory returns by enabling them to compete more successfully with overseas products. It is hoped to do this by improving the quality of home-grown products and by marking them as British-grown in order to create a consumer preference for domestic products. In 1931 the Agricultural Marketing Act went into effect. The object of this act is to facilitate by government aid schemes for regulating the marketing of home-grown agricultural products.⁷³

It will be sufficient to note here the scheme of greatest significance to American farmers. This is the proposed plan of the Reorganization Commission for Pigs and Pig Products announced on October 19, 1932. Although preliminary steps looking to its adoption have already been taken, this plan has not as yet (May 1933) gone into effect. It proposes, principally by an improvement of production and marketing methods and limitation of imports by means of quotas, to build up the hog industry to a point where a much larger proportion of the British demand is supplied by domestic production than has heretofore been the case. Finally, mention must be made of the enactment on May 12, 1932, of the Wheat Act, which aims to

⁷² For further details concerning the Ottawa agreements, see ch. VII, section on the British Dominions.

⁷³ For a more detailed discussion of the British Agricultural Marketing Act, see the appendix (under the United Kingdom).

halt the decline in wheat growing by providing the grower a secure market at a guaranteed price for a stated quantity of wheat. This price guaranty resulted in a small increase in British wheat acreage in 1932 and is expected to cause a still greater increase in 1933, possibly even to the point where production will exceed the quantity to which the guaranty applies. Whatever the results in this direction, it is clear that Great Britain, in view of its limited resources for wheat growing in relation to its population, will continue to be one of the world's largest importers of wheat.

GERMANY

Germany is the second largest market for American farm products, and this fact alone endows the German agrarian policy with a considerable degree of interest to American agriculture. This interest is enhanced by the importance of German agriculture and by the fact that the German agrarian policy, unlike the British policy, has long been characterized by active State interference.

The tariff has been the cornerstone of German agrarian policy for more than half a century. But before considering German agricultural protection it will be well to note a few of the many other ways in which the German Government has sought to give aid to its agricultural industry. Some of the more outstanding of these have been governmental intervention in the consolidation of the scattered (strip) peasant holdings and the prevention of excessive subdivision of inherited holdings; land settlement (internal colonization); assistance to the cooperative movement, especially in the sphere of agricultural cooperative credit; organization of chambers of agriculture with compulsory membership and the right of levying assessments and making grants for such purposes as experimental stations, agricultural education, and cooperative propaganda; and extension of emergency financial aid, as during the present agricultural crisis. These and a host of similar problems of the countryside have been objects of solicitude of the Government. But tariff protection (understanding the term broadly to include all methods of sheltering domestic agriculture from foreign competition) has remained the central feature of German agrarian policy.

Since the early eighties of the nineteenth century Germany has built up a system of agrarian protectionism designed to shield domestic agriculture, and especially grain farming, from foreign competition. Germany may be considered an outstanding example of a highly developed European industrial State with agricultural protection as an important constituent element in its economic system. The present system of grain protection dates back to the restoration in 1879 of agricultural import duties after a period of free trade in the sixties and seventies. These duties, originally moderate in character, have undergone upward revisions as time has passed and have tended to acquire a more extreme protectionist character.

With the declaration of war in 1914, grain duties in Germany were abolished. The free importation regime in the case of grain and most other foodstuffs prevailed in the early post-war period. In 1925 Germany regained freedom to shape its commercial policies, which had been severely restricted by the provisions of the Treaty of Versailles, and returned to the old regime of customs tariffs.

With the reintroduction of tariffs, import duties on grain and other agricultural products were also restored. The further history of the German agrarian tariff policy since the autumn of 1925 may be roughly divided into two periods. The first extended until 1929, and the second began with the collapse of grain prices in that year and coincided with the severe agricultural and general economic depression that followed.

Upon the whole, the first period, between 1925 and 1929, was characterized by the application of the traditional methods of tariff protection. The main reliance, as before the World War, was placed upon import duties supplemented, in the case of grain, by import certificates. It differed from the pre-war regime chiefly in a certain lack of stability (growing out of the use of temporary duties that were made necessary by the fact that the task of drawing up new commercial treaties required time) and in its somewhat more comprehensive character, especially as far as the protection of animal and other products of intensive farming were concerned. It is noteworthy, however, that the duties on wheat, lard, and tobacco,⁷⁴ which constitute the principal agricultural exports of the United States to Germany, exclusive of cotton, were lower than before the war, both absolutely and relatively to the prices of these commodities.

In 1929 the German tariff policy entered a new phase. The sharp decline of grain prices which began in that year and the general economic depression and financial crisis which followed in the succeeding years affected profoundly its entire character and emphasis. From that time it became protectionist in the extreme, especially as regards cereals. Duties were raised to such heights that they sometimes greatly exceeded the world prices, as in the case of wheat with a duty of \$1.62 per bushel. Duties on feed grains were also greatly increased. Another important change in the German tariff policy was the introduction of flexible rates to cope with price fluctuations, in place of fixed tariffs theretofore prevalent. This process was accompanied by a change in the tariff-making procedure involving a transfer of the rate-making power from the legislative to the administrative authorities. Administrative rate making, introduced first on a limited scale by the law of December 22, 1929, was gradually extended, reaching its culminating point in a law passed by the Reichstag in March 1931, which permitted administrative changes of all agricultural duties and introduced provisions aiming to safeguard the interest of the consumers in the process of tariff-making. These extensive administrative tariff-making powers were exercised to increase duties on a large number of agricultural commodities, including bread and feed grains, livestock, and sugar beets. One of the latest and, for American agriculture, the most important of these changes was the successive increases in the duty on lard from 1.1 cents a pound (at par) in February 1933 to 10.8 cents in July.

Some important but usually temporary reductions of duties for specific periods and purposes were also made under this power, as in the case of certain varieties of wheat needed for mixing with the

⁷⁴ Although the import duty on leaf tobacco was lower during practically the whole decade 1921-30 than before the war, German tobacco growers had the additional protection in the preferential rates of the excise tax granted on fine-cut tobacco containing 50 percent of domestic-grown tobacco.

domestic product. Differentiation of rates for the same commodity depending upon the quantities imported was effected through the establishment of quotas. The amounts permitted under the quota are admitted at a lower rate of duty, while imports in excess of the quota are dutiable at a higher rate.⁷⁵

The import certificate system,⁷⁶ which before the war and in the early post-war years played a vital part in the scheme of protection of the German rye industry by helping to dispose of the surplus, was gradually abandoned in the face of large surpluses, decreasing consumption in foreign markets, rapidly declining world prices, and restrictions of grain imports into Germany by high tariffs.

The increasing difficulty of maintaining wheat and rye prices in the face of a falling world market has been chiefly responsible for the introduction since 1929 of a variety of new restrictive and price-lifting devices supplementary to the import duties. It became evident that if German rye prices were to be maintained, new measures must be devised to dispose of the rye surplus which had formerly been drawn into export channels by means of the import certificate system. Then, too, with a greatly increased domestic wheat production, the tariff in itself was becoming less effective in supporting prices, especially since a considerable proportion of the increased domestic output did not meet the prevailing quality requirements of the German milling industry.

Next to the flexible duties, the wide use of such new devices constitutes the most distinctive innovation of the modern German protective system. There is, first of all, a class of devices which are definitely restrictive and protective in character. These include milling regulations requiring a stipulated percentage of the grain milled to be of domestic origin; baking regulations which require the use of certain flour mixtures for baking bread and which aim principally at increasing rye consumption; and finally, trading monopolies, such as the corn monopoly, and restrictive import quotas, such as the butter quota, both of which devices permit not only of direct limitation of the total quantities imported but also of discriminatory treatment of the various foreign countries competing for the German market. In a closely allied group are government price-supporting and stabilization operations.

In a second class are measures designed to relieve or remedy some of the unfavorable consequences of extreme protectionism. The so-called "exchange plan" which replaced the system of import certificates, is just such an adjunct of the present grain protection system. Its main purpose is to facilitate the imports of hard wheats not grown in Germany but needed by the flour mills for blending. Under this plan certificates are issued for exports of cereals which allow the imports of an equal amount of a similar kind of grain at reduced rates of duty.

The third class of measures is represented by such schemes as the so-called "combination" or "linked" sales plan which aims to combine protection with the remedial features mentioned above. The substance of the linked sale scheme is that domestic grain is offered for sale jointly with imported grain in a certain ratio. The

⁷⁵ Further details of these administrative changes in the German tariff are given in the appendix.

⁷⁶ See appendix for a description of this plan; also ch. IV.

imported grain is admitted at a reduced tariff and, as a result, such a combination of German and foreign grain can be offered at more attractive prices than those in the open market. These operations are especially important in feed-grain marketing.

Particular attention has been given in recent months to the protection of the domestic livestock industry. The duty on lard has been greatly increased, and import quotas have been established for butter. Late in March 1933 the German Government established a government fat monopoly which has control of the production and sale of products considered to be competitive with butter and lard. The new measures are designed to restrict greatly the importations of fat and to reduce competition with German farmers arising from domestic production of margarine.

To sum up, the new period of German tariff policy which began in 1929 has been characterized by a greatly accentuated protectionism far surpassing the tendencies of this nature manifested during the pre-war and first post-war decades. By introducing flexible duties and forging a number of new weapons, a protective system was evolved by trial and error which possesses considerable elasticity and is readily adaptable to changing conditions of supply and demand. State interference with foreign trade is much more extensive than prior to 1929 or before the war, especially in the case of the grain trade.

When the reasons for the increasingly protectionist character of the German tariff policy are examined, it will be found that they are in a large measure common to most of the European countries and even to the world at large. But there were two factors especially significant in Germany. The first is the considerable prestige and political power which the large landlords have been able to wield notwithstanding the revolution. This has been especially pronounced in the last few years and accounts for the great length to which the government has been willing to go in the matter of grain protection as well as in the financial relief of the east German farmer. Both of these are matters in which the large landowners are especially interested. Another factor operating to intensify the German agrarian protectionism has been the precarious position of the German trade balance during the whole post-war period. This has made the reduction of imports of foodstuffs that can be grown at home an important national objective in connection with the immediate problem of balancing Germany's international payments. Especially has this been the case since the onset of the world financial crisis in 1931.

FRANCE

It has been, historically, the aim of the French Government to maintain a self-sufficient agriculture and at the same time to preserve a strong and contented peasantry on the land. France has sought to do this chiefly by restricting imports of foreign products and preserving the French market to the fullest possible extent to the French farmers. The large agricultural resources of the country have enabled France, in large measure, to achieve this aim of self-sufficiency but not, of course, without sacrificing to some extent the expansion of French industry.

Under the shelter of protection, French agriculture has been maintained, and the much-desired "balance" between agriculture and industry has been made possible, although the relative position of agriculture in the French economy has declined somewhat, especially since the World War, with the growing industrialization of the country.

Fundamentally, this policy of agricultural protection has been made possible by virtue of the fact that, although the aggregate agricultural production of France is very large, it nevertheless falls somewhat short of the domestic requirements for staple foodstuffs, such as cereals and meat. The agricultural exports of France consist of a few specialties sold abroad, for the most part, on the basis of quality. The French Government, therefore, has not had to be concerned with the disposition of large exportable surpluses, and the fact that there has been a deficit of the staple food products has made the tariff effective in maintaining domestic prices for these products above the world level.

In spite of France's large agricultural resources and its more or less stationary population, this long-continued policy of protectionism has not led to exportable surpluses and the difficult problems that such surpluses entail. The reasons are to be found partly in the lack of technical efficiency in organization and methods of agriculture which has tended to hold back expansion in production; and partly in the fact that the French Government, in establishing import duties, has had to reconcile the desire of the farmers for higher prices for their products with the equally strong and possibly more articulate desire of the nonagricultural population for cheap food. The result has been that, while duties have been sufficiently high to maintain fairly well the status quo of French agriculture, they have not been so high as to encourage, with prevailing farm organization and methods, an expansion beyond domestic requirements. In fact, for many years there has been a definite tendency away from extensive field crop production toward the more intensive and relatively more profitable animal husbandry. Thus in 1932 the acreage under wheat was almost 20 percent under the average for the 5 years preceding the war.

The maintenance of protective tariffs on agricultural products has long been the outstanding feature of the French agrarian policy. Import duties were imposed on grain in the last quarter of the nineteenth century as a protection against the flood of cheap grain from the New World and Russia. The protective system was gradually extended to include all competitive farm products. During the war the tariff system was abandoned, and for a time imports for private trade were entirely prohibited. After the war the protective regime was gradually resumed. During the first few years a system of prohibition and licensing of imports of many products, including cereals and cereal products, was in effect. This system was abandoned in 1921; and thereafter import duties were changed rapidly, almost entirely in an upward direction, to meet the exigencies of the moment and, in particular, to counteract the depreciation of the franc. These upward revisions were brought about chiefly by means of tariff coefficients by which the specific duties were multiplied by coefficients worked out on an automatic basis designed to stabilize the protective effects of the rates.

On April 6, 1926, the duties on practically all products were increased by 30 percent, but the coefficient system was continued. On August 14, 1926, a new law was passed whereby the duties then payable under the coefficient system, plus the 30 percent increase of April 6, were increased by a further 30 percent. The result of these measures was a general increase in the protection of French industry, including agriculture. In 1927 France negotiated a new commercial treaty with Germany, and the Government at that time took occasion to stabilize the tariff schedule with the rates generally raised above earlier levels. Increases in duties on agricultural products had a prominent place in this revision. There has been no general upward revision in the French tariff since 1927, although there have been increases in the duties on a considerable number of individual commodities, including farm products.

In spite of the considerable increases in duties on agricultural products it appears that, as compared with the situation before the war, agriculture had relatively less protection than industry even up to 1929. This was not due to a desire to favor industrial development at the expense of agriculture but rather to the fact that agriculture had been less affected by the war and that official attention was concentrated on industrial organization and development. Agriculture was not an immediately pressing problem.

But with the onset in 1929 of the world-wide agrarian crisis and the acute repercussions which were felt in France, the Government began to adopt unprecedented measures for the support and maintenance of agriculture. These measures, which are reviewed in some detail in the appendix, include, in addition to some increase in import duties, milling regulations requiring the use of stated percentages of domestic wheat (usually over 90 percent), import quotas on fruit and other products, and increasingly stringent sanitary restrictions.

France has not, as in the case of Germany, pursued a vigorous policy in assisting agriculture in ways other than by means of tariffs and other import restrictions. The reason lies partly in the fact that French farmers, while welcoming legislation designed to maintain or raise prices of their products, are opposed to government interference with their traditional practices. Nevertheless, the French Government has sought in various ways to improve the economic status of the farmer and to encourage the adoption of newer methods of farming. These have included extension work through provincial experiment stations, agricultural education, rural electrification, and especially the fostering of agricultural credit. Since the agricultural crisis became acute in France, there has been a tendency toward subsidies and other price-supporting measures directed toward the relief of minor agricultural industries such as flax, hemp, hops, olives, and tobacco. The chief price-supporting measure affecting a major agricultural product is to be found in the wheat-storage plan which seeks to avoid a glut at harvest time, and thus to stabilize domestic wheat prices, by withdrawing from market channels the equivalent of about 1 month's consumption of wheat.⁷⁷

But perhaps the outstanding way in which the Government has endeavored to assist agriculture, apart from restriction of imports, has

⁷⁷ Concerning further details, see the appendix.

been the encouragement, directly or indirectly, of cooperative associations. The preponderance of small and medium-sized farms, operated by owners, has been a fundamental factor favoring the development of cooperative associations. The rise of the cooperative movement has been largely spontaneous, growing out of a realization on the part of the farmers of the advantages of cooperative action; but government support in the way of enabling legislation and, to a lesser extent, in direct subsidies, has undoubtedly been important in permitting the movement to attain its present proportions.

ITALY

Italy, like Germany and France, for many years has followed a policy of protecting its domestic agriculture from foreign competition by means of import duties and other forms of import restriction. In Italy, however, aids other than through import restriction have become so important in recent years that they also must be stressed.

Since the inception of the Fascist Government in 1922 Italy has pursued an active agrarian policy involving vigorous efforts toward strengthening the position of agriculture in the national economy. This policy has sought, among other things, to make Italy agriculturally self-sufficient for products, especially foodstuffs, which could be successfully grown at home. Although Italy is a considerable exporter of certain specialty products, chiefly fruits, nuts, and vegetables, it is dependent in greater or less degree upon imports of such staples as wheat, corn, sugar, meats, wool, cotton, and various fats and oils (other than olive). Hence the policy of the Fascist Government, while it has sought to strengthen the position of agriculture as a whole, including the export branches, has laid particular stress upon the expansion of the domestic output of certain food crops now on an import basis. The Government has gone much further, therefore, than simply to impose heavy duties and other import restrictions upon foreign products. In contrast especially to France, Italy has a definite program for the expansion of its agriculture.

The program for agriculture is rooted in a broader program of economic and social policy which contemplates the maintenance of a larger fraction of the population, and an increasing future population, on the land. This program is an integral part of an ambitious project launched in 1928. It contains two main features: (1) Promotion of an increase in the population and (2) production at home of the necessary food supplies for Italian consumption, partly by bringing new areas under cultivation and partly by increasing the productivity of those already in use. An enlarged domestic market for Italian industrial production, reduced dependence on foreign food supplies, agrarian employment for the unemployed from the overcrowded urban centers, and absorption of unemployment in the vast program of land reclamation and improvement and in other public works related to the general reclamation project: all are factors stressed in connection with the scheme.

Ambitious measures to insure the fulfillment of this program have been taken by the Government. To increase the birthrate, generous allowances are made in assessing income taxes, frequent payments are made to large families, and the tax on bachelors has been doubled. To retain the growing population within the country, drastic emigra-

tion regulations are in force. To bring under cultivation all of the potentially arable land in the country, a far-reaching land improvement and reclamation scheme has been adopted, including the compulsory use of the land for productive purposes. Laws have been enacted relieving farmers from the excessively high mortgage rates formerly prevailing throughout the nation, substituting therefor rural credits backed by semigovernment agencies. To protect domestic producers from foreign competition, the tariffs have been increased on a long list of products and more drastic forms of import restriction have been employed. Premiums and prizes are offered for exceptional crops on new lands and for exceptional increases in yield per acre on old land. A complete national system of highways in conjunction with farm and local roads is under way in order to insure the rapid transportation of agricultural products to the railways or directly to the markets and also to make the rural districts more attractive to the population.

In addition, the Government is sponsoring extensive plans for rural social improvement, such as adequate schools, churches, model villages and farm buildings, and modern electrical facilities. Demonstration farms have been established. Agricultural technicians are provided for every part of the country to advise farmers in the proper use of fertilizers, seed selection, improved methods of production, and the efficient use of modern agricultural machinery. Finally, the government is endeavoring to build up a new public psychology toward agriculture. On this score it seeks especially to check the popular tendency to forsake agricultural life for the social and commercial amenities of the metropolitan districts.

In order to understand how these objectives are promoted by the Government it is necessary to know something of the economic organization of the Fascist State and the place of agriculture in that organization. To secure and maintain as large an influence as possible in all matters affecting the economic interests of the country the Fascist Government has established a unique organization known as the "Corporative State," through the existence of which it has been able to realize many of its objectives without resorting to the usual legislative procedure. Fundamentally, the Corporative State is based upon a classification of the population of the country into three broad groups: (1) owners of enterprises or employers; (2) wage earners or laborers; and (3) professionalists. With this as a basis the Government then proceeds to apply the classification to the various branches of national economy. As far as agriculture is concerned, this classification of the population manifests itself in the activities of three agricultural federations or associations sponsored and subsidized by the Government. These three organizations are: (1) the National Fascist Confederation of Master Farmers; (2) the National Confederation of Fascist Agricultural Workers' Syndicates; and (3) the National Fascist Syndicate of Agricultural Experts.

Group (1) includes all landowners or renters who do no manual labor on the farm, persons who only rent the land or are engaged only in managing the farming activities. Group (2) includes the direct cultivators; that is, small farm proprietors and tenants who work the land with their families, and all other types of farm em-

ployees excepting those who hold certain academic degrees. Group (3) includes the agricultural experts and technicians and all those who hold certain academic degrees either in agriculture or in related subjects. Membership in these groups is not obligatory, but they are the only organizations legally capable of representing the opinions of the special class they represent.

Nominally, these groups are private associations with separate and distinct legal personalities. Taken together, however, they constitute what is known as "the Corporation of Agriculture", which, in turn, forms a part of the Ministry of Corporations. The functions of the Corporation of Agriculture are to coordinate the interests of the three groups it represents and to promote, encourage, and subsidize every initiative aiming at the improvement of production. Any decision taken by the corporation, which must be based on an agreement between the three groups, is tantamount to an official decree, since it must be approved by the Minister of Corporations, who is at the present time the head of the Government.

Thus organized, the Government has undertaken in a host of ways to support and strengthen the position of agriculture. Concerning many of the detailed measures, a more complete account is given in the appendix. More needs to be said here, however, concerning the major lines of approach. These are largely epitomized in the program of land reclamation and utilization and in the so-called "wheat campaign" or "battle of wheat" which is closely associated with this program.

In its program of land reclamation and improvement the Government has followed two main lines of approach. One involves changing the agricultural structure of entire regions of the country. The other involves the compulsory adoption by farmers of modern scientific practices designed to increase the yield per acre. These projects, of course, are beyond the means of the individual producer. The Government is extending generous help, both financial and technical, to the owners of land subject to improvement, but the improvement must be undertaken at once and carried out under penalty of expropriation.

Under the first phase of this program the Government has embarked upon a number of projects many of which are paid for entirely by public funds and others partly by the Government and partly by the farmers. The projects financed entirely by Government funds include such works as river regulation, power stations, and electrification. Those financed jointly by the Government and the farmers include such projects as irrigation, drainage, drinking-water supply, farm road building, and farm-building activities. The exact proportion of the total expenses borne by the Government in the latter instances depends upon the nature and location of the project. In general the contributions by farmers have not exceeded one third of the total cost.

The second phase of the land reclamation and improvement scheme, namely, increasing the average yield per acre, involves the idea of direct government intervention in private farm management. To understand the action of the Government in forcing land improvement, new methods of production, and the adoption of new systems of farming upon private owners, one must bear in mind that the Fas-

cist agrarian policy involves an entirely new concept of property rights. According to the Fascist philosophy, the rights of the State take precedence over those of the individual. If the owner of the land does not attempt to make it more productive by cooperating with the program of the state, the land is expropriated and the title is transferred to individuals or organizations willing and able to do so. In the event of expropriation the original owner is given an indemnity that is supposed to represent the unimproved value of the land.

The general program of land utilization has found its chief expression in the so-called "battle of wheat," which is designed not only to make Italy self-sufficient in regard to wheat, but also, by the same token, to encourage the general production of all other crops that can be grown in connection with wheat. The "battle of wheat" was launched by the royal decree of July 4, 1925, which set up a permanent wheat committee to study and submit proposals for making Italy independent of foreign sources of supply for wheat.⁷⁸ The policy of the Government is to increase the production of wheat partly by expanding the acreage but chiefly by increasing per-acre yields through improvements in the technic of production, expert seed selection, and the scientific application of fertilizers. Along with these developments, others of a general character are expected to result—greater diffusion of technical knowledge among producers; better equipment of farms and consequent technical improvements and increased production of all of the principal crops rotated with wheat; and an increase in the livestock numbers of the country. In general, the broad scheme of land reclamation and the changes in the systems of farming and cropping are expected to result in an increased production of all food crops.

⁷⁸ Concerning the organizations responsible for the conduct of the wheat campaign, the place of the wheat campaign in the general agrarian policy of Fascism, and the results of the campaign, see the appendix. See also ch. VIII.

CHAPTER VII

AGRARIAN POLICIES OF SELECTED COUNTRIES: SURPLUS COUNTRIES

In the deficit countries discussed in the preceding chapter the main emphasis of agrarian policy is on the protection of domestic producers from foreign competition and on the attainment of self-sufficiency with respect to branches of agriculture thus sheltered. In the surplus countries, on the other hand, the most important objectives of government policy are directed toward finding profitable outlets for products grown in excess of domestic requirements. In these countries, export and production aids of various kinds, including especially efforts to conclude international preferential trade agreements, have been the most important types of intervention.

The surplus countries discussed in this chapter—the British Dominions, the Danubian countries, and Soviet Russia—represent a significant segment of world agriculture. Moreover, they constitute a fairly representative sample, from the standpoint of the relation of government to agriculture in surplus countries, ranging from Canada, where there has been until recently little direct government intervention, to Soviet Russia, where government control is the dominant feature of the economic system.

BRITISH DOMINIONS ⁷⁹

The agricultural policies of the British Dominions—Australia, Canada, New Zealand, and the Union of South Africa—are of special significance to American agriculture because of the competitive character of their exports and because this competition centers so largely in our leading market, Great Britain, where Dominion products are now enjoying preferential treatment.

Reciprocal imperial preference has been the leading objective of Dominion commercial policy for many years. But before the World War, Great Britain, unlike the Dominions, staunchly adhered to the free trade regime and refused to grant preference to Dominion products. Inroads into the free-trade policy were made during the war by such measures as the McKenna import duties in the Finance Act of 1915 and various other war-time import restrictions, and, after the war, by the Safeguarding of Industries Act and the Dye-stuffs (Import) Act. It was therefore in line with this change in

⁷⁹ Among the references consulted in the preparation of this section on the British Dominions, in addition to reports from foreign representatives of the United States, were: *Deutsche Agrarpolitik-Ergänzungsteil, Veröffentlichungen der Friedrich List-Gesellschaft*, 348 p., Berlin, 1932 [Sections 63 and 72 to 75, inclusive, on Great Britain, Canada, South Africa, Australia, and New Zealand, respectively, by F. Grant, Director of the Empire Marketing Board, London]; *Royal Institute of International Affairs, World Agriculture: An International Survey*, 314 p., London, 1932; *United States Tariff Commission, Colonial Tariff Policies*, 869 p., 1922; *The Economic Record, Journal of the Economic Society of Australia and New Zealand*, vol. III, no. 15, December 1932. In addition, official documents issued in connection with the Ottawa Conference, 1932, were consulted.

tariff policy that a partial concession was made in the Finance Act of 1919 to the demand for establishment of preference to the Dominions. The gist of this arrangement was that rebates on import duties already in existence in the British tariff were to be made on certain Empire products. It is of significance that the agricultural products upon which duties were at that time levied consisted chiefly of commodities such as tea, cocoa, coffee, and sugar in which the self-governing Dominions of the British Empire had little or no interest although they were of importance to India and some of the Crown colonies. The importance of the legislation of 1919 lies in the fact that the preferential principle became rooted in the British fiscal system and henceforth whenever new import duties were imposed preferential treatment was invariably accorded to the Empire countries.

Great Britain continued, however, during the post-war years to be essentially a free-trade country so far as agricultural products were concerned. This was especially true with regard to cereals and animal products, in which the Dominions are chiefly interested. In 1923 the British Government refused to act on a proposal for further extension of preferences growing out of the Imperial Economic Conference of that year. At the same time, however, efforts were made by the British Government, in conjunction with the Governments of other Empire countries, to stimulate the use of home and Empire-grown goods in the United Kingdom. In 1926 an Empire Marketing Board was created, with an annual appropriation of £1,000,000. The primary objective of this board, as stated, has been to encourage the use in the British market of Empire products in preference to foreign goods. With this end in view the Empire Marketing Board has encouraged scientific research into production and marketing methods and has also attempted to stimulate the demand for British and Empire products by various forms of publicity and propaganda.

In 1931 Great Britain materially modified its historic policy of free trade and the road was opened to a more thoroughgoing application of Empire preference, which was accomplished at the Ottawa Conference of 1932.

1. *The Ottawa agreements.*—Twelve new preferential trade agreements were concluded at the Ottawa Conference. Seven were agreements between the United Kingdom and its various overseas dominions and colonies, namely, Canada, Australia, New Zealand, South Africa, British India, Newfoundland, and Southern Rhodesia. The remaining were inter-Dominion agreements. Attention will be confined here to the set of agreements concluded between the United Kingdom and the four Dominions, Canada, Australia, New Zealand, and South Africa, as being the most important from the standpoint of their effect upon the agricultural export trade of the United States.

The concessions extended by Great Britain to the Dominions in return for the increased preference granted by them to various British industrial products fall into four classes: (1) guarantees of continued free entry of Empire goods; (2) agreement to increase the existing rates of duty on various products when imported from sources of supply outside of the Empire; (3) guarantees that certain

ad valorem duties provided for in the Import Duties Act of 1932 would not be reduced, and (4) agreements to control by quotas the importation of beef, mutton, lamb, and pork products, and possibly later application of quotas to dairy products.

Under the first class, the British Government guaranteed continued free entry for all products grown or produced in the British Empire which were not dutiable prior to 1932, thus making permanent the exemption adopted as a temporary measure in the Import Duties Act of 1932. In addition it guaranteed that the existing margins of preference on such Empire goods as were dutiable would not only be maintained but also that no increase would be made in such duties. There were two qualifications, however, to this last guarantee. In the first place, the agreements provided that as regards eggs, poultry, butter, cheese, and other milk products, free entry would continue for 3 years. At the end of this fixed period the British Government reserves the right either to impose a preferential duty on these products or to bring them within some system for quantitative regulation of supplies from all sources. The second qualification applied to tobacco. In this connection it was provided that the existing margins of Empire preference over foreign tobacco would be maintained for a period of 10 years, that is until 1942.

Under the second class the British Government has imposed duties on such products of foreign origin as wheat, corn, and flaxseed which were previously admitted free of duty from all sources; and has increased the duties on a long list of other agricultural products including rice, butter, cheese, eggs, condensed and powdered milk, various fresh fruits, various preserved, canned, and dried fruits, honey, and certain vegetable oils. Under the third class the Dominions were assured that the duties levied on certain specific products (of foreign origin) by the Import Duties Act of 1932 would not be reduced except with the consent of the Dominion Governments concerned. This guaranty applies to such products exported from the United States to Great Britain as canned meats, meat extracts and essences, barley, wheat flour, sausage casings, and certain dried fruits.

The principles laid down and the concessions made under the fourth class constitute probably the most important avenues of approach for government intervention in behalf of domestic and Dominion agriculture. To prevent the threatened serious decline in meat production because of prevailing low prices, the British Government agreed to take whatever steps might appear necessary to raise prices to such a level in the United Kingdom that production would be maintained. While it was definitely established that any system set up by the United Kingdom for controlling imports of beef, mutton, lamb, pork products, and dairy products would first take into account the interests of domestic producers, it was also stipulated that arrangements would be made for giving the Dominions an expanding share of the import requirements. The agreements with respect to meats differ from others in the important respect that no import duties are to be imposed at least for the present and that imports into the British market are to be controlled by means of quotas.

The probable effects of these agreements on American agriculture and on exports to the United Kingdom of specific agricultural products will be considered in the commodity sections of this report. But it will be useful to summarize at this point the commodities principally affected. These are wheat, pork products, apples, oranges, grapefruit, raisins, and prunes. The import duty on foreign wheat amounts, at the par rate of exchange, to about 6 cents a bushel, while Empire wheat continues to be admitted free of duty. The duty imposed on foreign apples imported into the United Kingdom, amounting at par to about 43 cents a bushel, will increase the competition on the British market from Empire apples, particularly Canadian and Australasian. Similarly seasonal duties on foreign oranges and grapefruit will affect to some extent our imports of these fruits to Great Britain during certain months. Perhaps the most important effect of the Ottawa agreements relates to our exports of cured pork. When taken together with the scheme for building up the domestic hog industry in Great Britain, the quotas on foreign and Empire pork provided for under the Ottawa agreements, if continued, promise to decrease materially the outlet in the British market for foreign bacon and ham, including that from the United States.

2. *Other aspects of agrarian policy in the Dominions.*—Canada, Australia, New Zealand, and South Africa are the four leading British Empire countries that are parties to the Ottawa agreements. They possess the common characteristic of being largely dependent for their national prosperity upon the prices obtainable for agricultural exports. Since the war, all four countries have given increasing assistance to agriculture, especially on the marketing side. The assistance has been much more marked in the Southern Hemisphere countries, especially with respect to perishable and semiperishable products. Such government activities have been intensified greatly since the drastic fall in agricultural prices starting in 1929.⁸⁰

All four countries have a pre-war background of government aid to farmers establishing themselves in new territories. In post-war years, land policies have been pursued in the interest of returning ex-soldiers to the land, and more recently, efforts have been made to place unemployed workers in favorable agricultural situations. Australia and New Zealand have been especially active in such work. All four countries also have conducted government work in agricultural education, research, and extension, to increase the quantity and improve the quality of plant and animal products while concurrently reducing the unit cost of production. In both South Africa and Australia the large areas subject to drought, the prevalence of plant and animal pests and diseases, and the relative scarcity of favorable producing areas in proportion to the total land area have given rise to a large degree of state activity in the interest of agricultural production. Progress made in all four countries is evidenced by the improvement in the quantity and quality of their products.

All of the countries under consideration are utilizing import tariffs in some degree in the interest of agricultural producers. The duties are applied either as a protection for nonexport products or as an

⁸⁰ Detailed statements covering the measures undertaken in the countries indicated appear in the appendix.

adjunct to the several schemes in effect to bolster domestic prices of products on an export basis. Another form of government aid common to the whole group has been the adoption of legal grades and standards for export products. Additional attention has been given such measures in recent years with the intensification of international competition. Progress along the lines indicated has been especially marked in the wool, meat, fruit, and dairy products being exported from Australia, New Zealand, and South Africa.

In Canada the central features of agricultural policy have been the reduction of costs of production and marketing, and quality improvement by education and example. Since wheat accounts for the bulk of Canadian agricultural exports, most of the official efforts have been applied to that product. Government activity has been especially evident in bringing about reductions in freight rates on wheat from the Prairie Provinces. Direct government aid to wheat growers appeared in August 1931 under a law authorizing the payment of a bounty of 5 cents a bushel on all wheat sent to market during the 1931-32 season. This bounty was not continued during the 1932-33 season. There has been also an increasing amount of federal support of the Canadian wheat pools since late in 1929.⁸¹ The Imperial preference provisions of the Ottawa agreements are expected to improve the position in British markets of such Canadian export products as wheat, meat, fruit, and dairy products. Under the general protective policy now in effect for Canadian agriculture and industry, however, it is anticipated that an improved home market can be developed for agricultural products other than wheat.

The Australian Government has emphasized cooperative marketing as an aid to farmers in recent years, following a long period of liberal land-settlement policies and state aid to improve production conditions. The cooperative efforts have been both voluntary and compulsory, the latter being fostered principally through the medium of commodity control boards. These control boards are statutory marketing monopolies, each established by a majority vote of the producers and each consisting of representatives of the producers and of the Government. The Federal Government is represented in a Dried Fruits Export Control Board and a Canned Fruits Export Control Board; and the States of Queensland and New South Wales are concerned in compulsory marketing boards in connection with wheat, sugar, and fruit, and eggs, rice, and honey, respectively. The Federal Government, through the tariff, also supports the important Paterson plan, which is a voluntary marketing scheme dealing with butter. Some of the States also are concerned with voluntary pools. At present a direct export bounty is being paid only on wine, but production bounties are being paid on cotton and flax.

In New Zealand a larger share of the total land area is adaptable to agriculture than in any of the other three Dominions under consideration. There is less interest in nonagricultural enterprises than in any of the other Dominions, the national economy being practically devoted to the production and export of wool, frozen mutton and lamb, dairy products, and fruit. The government has been more closely identified with all public enterprises contributing

⁸¹ Details covering these activities appear in the appendix.

to agricultural production than has the government of any of the other countries in this group. A policy of self-sufficiency has been pursued in cultivated crops, notably wheat, which is protected by adjustable duties, with provisions made to take care of an exportable surplus. Disposition of the important export products is in the hands of export control boards. Each of the boards was established after a poll of producers showed a majority in favor of it, except the Meat Control Board, which was established after consultation between producers and the government. All the boards strive to regulate exports and thus support prices; in all instances the activities of the boards are financed by a levy on exports.

Direct export bounties are the feature of government aid to agriculture in the Union of South Africa. Under the Export Subsidies Act of November 1931 subsidies are paid on a large number of agricultural products. This measure was deemed necessary not only because of the low world agricultural price levels, but also to offset the disadvantages of holding to the gold standard while the currencies of most competing countries were depreciating. When South Africa departed from the gold standard in December 1932 the export bounties were continued. Wheat, meat, dairy products, corn, and tobacco are protected from outside competition by special control bodies which limit or prohibit imports and promote exports. Most of the money for paying export bounties is secured by a special duty on all imports. In addition, since 1926, a Perishable Products Export Control Board has had general supervision of all agricultural exports. The board imposes levies on most agricultural exports to raise promotional funds which are turned over to the interested growers' cooperative. Compulsory cooperation for export is now enforced in the Union whenever 75 percent of the producers of a commodity representing at least 75 percent of the output favor such centralized control.

THE DANUBIAN COUNTRIES ⁸²

Although the continent of Europe as a whole constitutes the most important agricultural deficit area of the world, it nevertheless contains within its boundaries significant surplus regions. By far the most important of such areas, apart from Russia, is situated in the Danube Basin, in the southeastern corner of Europe, comprising roughly Hungary, Rumania, Yugoslavia, and Bulgaria. These four countries have much in common, geographically and economically. They are all predominantly agricultural countries, exporting cereals and other farm products to western Europe and, in turn, serving

⁸² Among the references consulted in the preparation of this part of the chapter, in addition to reports from representatives in Europe of the United States Government, were: Michael, Louis G., *Agricultural Survey of Europe, The Danube Basin*, Part 2, U.S. Dept. of Agri., Tech. Bul. no. 126, 1929, and *Agricultural Survey of Europe, Hungary*, U.S. Dept. of Agri. Tech. Bul. no. 160, 1930; Pasvolsky, Leo, *Bulgaria's Economic Position*, 409 p., The Brookings Institution, Washington, 1930, and *Economic Nationalism of the Danubian States*, 609 p., The Brookings Institution, Washington, 1928; Morgan, O. S., *Agricultural Systems of Middle Europe*, New York, 1933; *Deutsche Agrarpolitik—Ergänzungsteil, Veröffentlichungen der Friedrich List-Gesellschaft e. V.*; Knight, Barnes, and Flügel, *Economic History of Europe*, pp. 714–47, Boston, 1928; League of Nations, *Le Crédit Agricole dans Certain Pays de l'Europe Centrale et Orientale*, 65 p., Geneva, 1931 (*Série de Publications de la Société des Nations*, II. questions économiques et financières, 1931, II. A. 4); League of Nations, *Economic Committee, Etudes relatives au problème des rapprochements économiques européens*, Première série, *Chiffres Essentiels du Commerce Extérieur des Pays Danubiens*, 70 p., Geneva, 1932 (*Série de Publications de la Société des Nations*, II. questions économiques et financières, 1932, II. B. 3).

as a convenient and potentially important market for the manufactures of the industrial nations of Europe. The expression "granary of Europe" which has come to be applied to these Danubian countries is suggestive of their agricultural unity, while the efforts made by them since 1930 toward the adoption of a more or less common commercial policy suggest the underlying community of their economic interests. It is natural, therefore, that the agrarian development and policies of the Danubian countries, although differing in detail as between individual states, should have important features common to the whole group. It is on such common phases of agrarian policy that the chief emphasis will be placed in this discussion, while additional information by individual countries will be found in the appendix.

Two periods may be broadly distinguished in the post-war history of the Danubian agrarian policies, with the severe agricultural crisis which began in 1929 serving as a dividing line. Land reforms and the attempts at industrialization characterize the first period, while the problem of relieving the severe agricultural, economic, and financial depression has been the keynote of government policy during the second.

1. *The post-war period up to 1929.*—In Rumania the land reform, begun in December 1918, affected some 15,000,000 acres of large estate lands, which were transferred (by 1924) to the possession of peasants. The reform involved the transfer of about one third of the arable land, pastures, and meadows from the management of large estates to that of small individual holdings. The change from large- to small-scale operation profoundly affected the character and volume of agricultural production. In Yugoslavia, where the area affected by the land reform was also considerable, the chief result was the improvement of the situation of the poorer peasantry. In Hungary the land reform was relatively limited in scope,⁸³ and neither improved the situation of the poorer peasants to a significant degree nor disturbed seriously the course of agricultural production. In Bulgaria, where small-scale farming and peasant ownership had long been the rule, the land reform also had a relatively small effect on the distribution of land.

While the land reforms had many beneficial effects, particularly in improving the lot of the poorer peasantry, they left some fundamental difficulties unaltered and served only to intensify others. They tended to increase the peasant's need for financial assistance and had an unfavorable effect upon the commercial positions of the several agricultural countries of the Danube in relation to the international balance of payments. The recipients of the newly allotted land were for the most part required to assume mortgages which, while very liberal in their terms, represented an additional financial burden. Moreover, the small peasant cultivator, with his meager financial resources, now had also to face the burden of financing farm operations which formerly had devolved upon the large landowner. Thus the peasants' capital requirements increased, while on the other hand, provisions for agricultural credit remained extremely inadequate. Besides affecting the financial situation of the small farmers,

⁸³ In 1923 the arable land owned by small farmers constituted 61.6 percent of the national total as against 55.5 percent in 1913.

the land reforms, insofar as they disturbed the already chaotic condition of land-title records, rendered less secure the basis for long-term financing in the case of the wealthier agriculturists.

One of the greatest needs of the small farmer of southeastern Europe is cheap, long-term credit. In Bulgaria and Hungary, where banking facilities were much better at the close of the war than in the other Danubian countries, interest rates on short-term loans until 1926 were well over 20 percent; from 1926 on they were considerably reduced, but even then were, on the whole, well over 10 percent. In Yugoslavia, according to a high banking official, "most of the peasants have suffered from usurers and paid interest at rates amounting to over 40 percent and in some cases to 100 percent." In Rumania interest rates of from 25 to 40 percent were reported. To remedy this situation several proposals for the setting up of government institutions to dispense low-cost agricultural credits or to furnish support to institutions already existing were given serious consideration. But the governments, hard pressed as they were, lacked the resources for carrying out any project of significance.

Post-war financial difficulties are also related to the land reforms from another angle—that of the balance of international payments. Since the change from the more skilled, large-scale management of estates to the less skilled, small-scale management by the peasant owner, the volume of production of some of the major crops of the Danube Basin has declined. Particularly in the case of cereals, smaller sowings and lower per-acre yields have followed the change in land tenure, partly as a consequence of lower efficiency and partly as the result of a greater self-sufficiency of peasant farming. Lower output of cereal crops has meant also smaller exports of cereals. Accordingly, by diminishing exports, the land reform has contributed, at least temporarily, to the difficult commercial and financial position of the Danubian countries.

With the cessation of hostilities in 1918 the countries of the Danube Basin found it necessary to incur heavy debts abroad in furtherance of the work of rehabilitation, from which little or no return could be expected for a long time. Loans were also contracted abroad for the purpose of paying reparations, for the maintenance of national defense, or for the refunding of old debts. From the funds disposed of in such manner no income could be expected for the payment of debt charges. Consequently, interest and other payments due on foreign loans were met by fresh borrowings from abroad, and the total mounted higher and higher, until in 1932 it stood at the tremendous sum of 2½ billion dollars for the four Danubian countries. Such an amount required an annual outflow of some 70 million dollars in payment of the interest and amortization.

These payments constituted a heavy burden on the balance of international payments and furnished an added impetus to the protectionist policies of the Danubian countries, which, as a result of the unhappy experience of war-time scarcities and intensified post-war economic nationalism, made economic self-sufficiency the principal aim of their economic and commercial policy. This meant, in agricultural countries like those of the Danube, an emphasis on increasing industrialization and a tariff policy shaped to stimulate

industrial development and consequently favorable to the manufacturing industry. On the other hand, agriculture, being almost entirely on an export basis in the Danubian countries, not only did not benefit from the protectionist policies pursued by the latter but was even injured through the aggravation of the unfavorable relation between the prices of farm products and prices of manufactured goods.

Not only was industrialization fostered by means of tariff favors but also through direct participation of the State in industry, as for example in Rumania, where the Government took an active part in the development of mineral resources. Naturally such policies proved burdensome to agriculture, which had to pay, at any rate initially, the cost of such experimentation. The plight of Danubian agriculture, moreover, was greatly aggravated with the depression which began in 1929.

2. *The present crisis.*—The present severe agricultural crisis in the Danube Basin had its immediate beginning in the world-wide debacle in prices of raw materials and agricultural products that came in 1929. The low value of agricultural products drastically reduced the income from exports by means of which the agricultural countries of southeastern Europe had been maintaining the balance of their international payments. The ensuing feverish piling up of tariff upon tariff, quota upon quota, and administrative controls one upon the other, had but little effect in diminishing a deficit in the balance of trade. Both imports and exports continued to decline. Simultaneously with the curtailment of international trade there occurred a suspension of international lending which previously had helped to sustain the balance of international payments. The climax came with the failure of the Kredit Anstalt of Austria in July 1931, resulting in a hasty withdrawal of foreign funds from the Danubian countries. This situation in turn engendered increasing restriction of the movement of international trade and capital through the institution of a drastic control of foreign exchange, with the result that the flow of international commerce has been reduced almost to a minimum.

In the search for a solution of the ever-mounting economic difficulties of these countries it became recognized that the first step was to attack the agricultural crisis. Reasons for this emphasis were two-fold. In the first place, the acute financial crisis would be alleviated if exports—predominantly agricultural—were to be increased, for with the correction of the maladjustment in balance of international payments, domestic currencies would be stabilized and capital would flow more freely. Secondly, an improvement in the farmer's lot would, of course, affect favorably the domestic business situation. Thus, there was inaugurated in 1930–32, in the Danubian countries, a series of emergency measures for the relief of the farmer. Some of these measures were adopted by the respective countries individually, others by concerted action of several countries concerned.

In Hungary, most important of the wheat-exporting countries of the Danube Basin, a scheme involving bounty payments to producers of wheat and rye was introduced (see the appendix). In

addition to this system an export bounty was provided for a short time. In conjunction with participation by Hungary in the International Sugar Agreement the production and export of sugar were brought under direct control. Rumania paid an export premium on wheat and wheat flour for about a year (from August 1931 to April 1932), and early in 1932 granted a reduction in the freight rate on corn to be exported. In 1930 it also enacted measures for organizing the export trade in livestock and fresh meat and for improving the quality of eggs sold on the export market.

Bulgaria and Yugoslavia both embarked on ambitious ventures for promoting the exportation of cereals and raising domestic prices. In the former country the government exercised complete monopoly over the wheat and rye trade through a newly established Central Grain Purchasing Bureau. This bureau bought and sold grain on the domestic market at high fixed prices and exported at world parity prices. For a short time it also paid a premium on the exportation of corn. Another government institution, the Agrarian Bank of Bulgaria, gave, and continues to give, assistance by supporting cooperative agricultural societies and even performing some of their marketing functions for them. In Bulgaria, as in Hungary, the sugar industry was brought under government control. In Yugoslavia the Privileged Export Co. was given a complete monopoly over internal and external trade in wheat. Through this agency the government paid high prices to producers and disposed of the surplus abroad for what it would bring. In addition to the aiding of grain farming through the Privileged Export Co., assistance was extended to the grain export trade through the medium of advantageous railroad and waterway transportation charges. Aid to the exporters of other commodities was provided also in a law for the organization of exports of livestock, meat products, and animal products.

In addition to their individual efforts, the agricultural countries of the Danube Basin have endeavored jointly to aid their agriculture, particularly through securing tariff preferences for their export cereals. During the last three years, Hungary, Rumania, Yugoslavia, and Bulgaria have held many conferences among themselves and with neighboring countries and have participated in general gatherings for the solution of economic problems. In January 1930, they participated in a general gathering of agricultural experts held by the economic committee of the League of Nations, and in February and March they attended the so-called "Tariff Truce Conference" held at Geneva.

In July 1930 Hungary, Rumania, and Yugoslavia met at Bucharest for the purpose of formulating a joint reply to a questionnaire sent by the League in accordance with a resolution of the Geneva conference. At this meeting the community of interest among the Danube countries received official recognition and it was agreed that special preference should be sought by them from the cereal-importing countries of Europe. Whereas the earlier meetings had aimed at general international economic cooperation, without especially distinguishing between the interests of agricultural-surplus nations on the one hand and agricultural-deficit countries on the other, this

conference and those that followed during the next 12 months gave emphasis to the idea of a united front by the Danubian group.⁸⁴

In March–April 1931 the movement for grain preferences received its first serious set-back at the Rome Wheat Conference, where the obstacle presented by the existing most-favored-nation treaties was brought to the fore. During the next year or so the movement languished, while Bulgaria, Hungary, Rumania, and Yugoslavia each negotiated individually for preferential tariff rates on grain.

In March 1932 France reopened the negotiations for a joint resolution of the problem of the disposal of agricultural surpluses by suggesting the establishment of a loose economic union among Austria, Czechoslovakia, Hungary, Rumania, and Yugoslavia, based on an exchange of tariff preferences. During the next month there followed a conference in London of the four great powers of the Continent—France, Great Britain, Germany, and Italy—to consider the proposal. The plan was decisively rejected by the resolute opposition of Germany and Italy, who felt their commercial and political interests to be adversely affected.

The movement for international joint action continued at the Lausanne Conference held in July 1932. This Conference directed a technical committee to work out a program for the solution of the general problem of eastern Europe, to be submitted to the (League's) Commission of Enquiry for European Union. The committee met at Stresa from September 5 to 20, 15 nations being represented, including Germany, Austria, Belgium, United Kingdom, Bulgaria, France, Greece, Hungary, Italy, Holland, Poland, Rumania, Switzerland, Czechoslovakia, and Yugoslavia. Latvia had an observer present, and the League of Nations, the International

⁸⁴ Another meeting between Rumania and Yugoslavia at Sinaia, held July 30–Aug. 1, dealt chiefly with a possible customs union between those two countries. In August 1930, Hungary, Rumania, Yugoslavia, Bulgaria, Poland, Czechoslovakia, Estonia, and Latvia, meeting at Warsaw primarily to deal with financial aspects of the agricultural problem, placed emphasis on the formation of agreements among the cereal-exporting countries. At the meeting of the League Assembly at Geneva in September 1930, the countries of the eastern European agrarian bloc, as it had come to be known, jointly urged that European importing countries should grant preferential tariffs on agricultural products in favor of the bloc. In the next month (October 1930) the second Bucharest Conference urged that the Governments of the agrarian countries of Europe should take concrete action looking to an agreement among themselves before undertaking external negotiations for preference. At another conference, at Belgrade, a month later, the four Danubian countries and Poland agreed to recommend to their respective Governments the establishment by March 31, 1931, of national export control boards where such did not already exist, and the establishment by July 1, 1931, of a central control board for the five countries represented. These countries also participated in the second (League) Conference for Concerted Action held at Geneva in November; here a special economic committee gave a limited and guarded endorsement of the preferential idea. Support was also accorded to this idea at a Conference of Agricultural Experts held at Geneva in January 1931 under the auspices of the League, attended by Hungary, Rumania, and Yugoslavia, as well as by practically all of the important agricultural nations of the world. At another conference, held in Bucharest in February, the entire eastern European agrarian bloc reaffirmed its common aims and made preparations for the approaching conference to be held in Paris under the auspices of the League Committee of Enquiry for European Union, at which the problem of dealing with the wheat surplus of the Danubian countries was to be considered. At the Paris conference, at the end of February, the idea of preferential import quotas was once more pressed, as it was again at the Rome Wheat Conference in March–April, held under the auspices of the International Institute of Agriculture and participation by most of the wheat importing and exporting countries (though not by the United States). At the Rome conference the obstacle presented by the most-favored nation clauses of existing commercial treaties, to the establishment of a system of tariff or quota preferences which favored Danubian grain while discriminating against overseas grain, was brought into sharp relief. World-wide organization of producers instead of a sectional grouping came to be emphasized and plans were made for a meeting of the wheat-exporting countries of the world in London a month later. At the London conference in May (participated in by the United States) the efforts of a majority of the countries present to secure the adoption of a program of international limitation of exports failed to result in an agreement. Following this set-back the Danubian countries renewed their independent programs, each turning its efforts toward securing individual preference for its grain in the markets of continental Europe.

Labor Office, and the International Institute of Agriculture were represented.

The object of the Conference, as set forth in the Lausanne agreement, was to seek measures to overcome "transfer" (foreign exchange) difficulties in the countries concerned, to suppress the existing systems of exchange control, to revive trade, and to improve the situation in the cereal-exporting countries. Means were sought whereby the industrial countries of Western Europe could absorb the surplus agricultural products of the eastern countries, and the latter in return lower their trade barriers. This necessarily involved the controversial question of preferences and exceptions to the most-favored-nation principle and raised anew the debate over multi-lateral tariff agreements as opposed to a system of bilateral treaties based on generally agreed principles. The Conference, however, made definite recommendations, which, among others, included the following: (1) immediate reduction of quota restrictions, adjustment of those remaining to normal trade movements, and more elastic application of trade regulations; (2) progressive abolition of restrictions on trade; (3) development of a complete system of commercial agreements such as to permit a normal growth of trade; (4) negotiation of an international convention for restoring prices of cereals in eastern and central Europe; and (5) establishment as soon as possible of the International Agricultural Mortgage Credit Co., and support of the efforts of the International Institute of Agriculture to establish an International Short-Term Agricultural Credit Bank. The introduction to the recommendations provided also for the foundation of a fund to which all European countries would contribute and which was intended to be used for the reconstruction of certain European currencies as well as for the improvement of the agricultural situation in central and eastern Europe.

By far the most important result of the Conference was the draft of the so-called "agricultural agreement," which stipulated that those signatory countries that are exporters of cereals should benefit from an artificial increase in the price of these cereals. This increase in price would apply to a quantity of 59,000,000 bushels of wheat, 69,000,000 bushels of barley for fodder, 53,000,000 bushels of corn, 16,000,000 bushels of rye, 14,000,000 bushels of barley for breweries, and 7,000,000 bushels of oats. A total amount of 75,000,000 Swiss francs (about \$14,500,000) would be made available for raising the prices of the above-mentioned quantities of cereals. The fund was to be made up of contributions from practically all of the European countries, the contributions being either in the form of actual cash or in the form of preferential tariff rates granted on the quantities of cereals concerned. A committee of representatives of the signatory countries would decide the distribution of the fund. The committee, which would have the technical assistance of the League of Nations and the International Institute of Agriculture, was to have authority to change the quantities of cereals subject to the artificially increased price. It was planned to raise the price of wheat by 2 gold francs per quintal (about 10½ cents a bushel) and the price of oats and corn by about 1.5 gold francs per quintal (7.9 cents a bushel). The committee was also to be entitled to grant advance payment to the cereal-exporting countries which were to benefit from

this arrangement. In return for these concessions the agricultural signatory states would undertake to grant adequate compensation to the industrial countries through bilateral treaties, which would not interfere with the rights of "third countries" under the most-favored-nation clause and which would extend equally to all signatories of the convention. The convention would be of limited duration, expiring in about 3 years unless renewed.

Although the conference was merely of an advisory character and the attending delegations were not in a position to undertake definite commitments for their respective countries, it nevertheless was indicative of the direction that future developments might take; for the delegations were composed of men of the highest standing, appointed by their governments and in constant touch with them throughout the negotiations. Moreover, their conclusions were referred to the European Commission of the League of Nations as a more authoritative body, and presumably were destined to form one of the subjects of discussion at the approaching World Economic Conference in the summer of 1933. It is significant, therefore, to note that on the closing day of the conference, Britain, Belgium, and Holland, all cereal-importing countries which had at that time no import duties on cereals, added reservations in which they indicated that they were not prepared to grant financial contributions in lieu of tariff preferences.

On the other hand, Germany and France both reaffirmed their intention of granting tariff preferences. For this reason it has been said that the Stresa Conference did not produce a practical program for the solution of the difficulties of the Danubian countries. In two respects at least, however, the conference did mark a closer approach to a solution. In the first place the idea of a general fund was now discussed and accepted for the first time independently of political conditions or guarantees. Secondly, the agreement marks a further important step in the crystallization of European sentiment in favor of preferential tariff treatment for eastern European cereals. But it is still far from certain what the outcome of this movement will be, especially in view of the greatly diminished cereals surpluses of the Danubian countries in 1932-33.

UNION OF SOVIET SOCIALIST REPUBLICS (SOVIET RUSSIA)⁸⁵

In approaching the problem of the relation of government to agriculture in the Union of Soviet Socialist Republics, as Soviet Russia is officially known, a fundamental distinction from the situation as it exists in other countries must be made at the outset. It lies in the pervasiveness of government control and administration of the whole economic system of which agriculture forms an integral part. While many other countries have gone far along the path of government intervention, Russia has gone much farther.

The Soviet State exercises a monopolistic control over the whole economic structure and resources of the country. It owns and operates the large-scale industry, mines, power plants, railways, shipping, and other means of communication. It engages in farming on its own account through the institution of State farms, and it

⁸⁵ The basic facts in this study are derived from published Soviet sources.

largely controls peasant agriculture through the organization of collective farming. It has an exclusive monopoly of banking, currency, foreign trade, and exchange operations. It controls the domestic channels of distribution in its capacity as a manufacturer, farmer, merchant, shipper, and banker. Moreover, by administrative measures it can suppress such private competition as still exists. All these branches of economic life are subjected to the system of economic planning by the state; they are within the orbit of "planned economy" as it is understood and practiced in the Soviet Union. Little scope is left in the economic sphere to private capitalistic enterprise.

It is true that the private market, however diminished or limited in scope, has never become entirely extinct, at any rate as far as petty trade is concerned. The Soviet policy toward private enterprise, which has been unmistakably restrictive in its general attitude, has on occasions relaxed in the direction of greater liberality, at least in the realm of trade. This was notably the case in 1921 when the New Economic Policy, or the "Nep", was introduced and again to a much more limited extent in the summer of 1932.

But whatever the concessions made to private enterprise the dominance of the Soviet State in the economic sphere remains fundamentally unaltered. From the fields of large-scale industry and foreign trade, over which the Soviet State early asserted a monopoly, it extended its dominance to domestic trade and finally, during the last few years, to agriculture—that branch of economic life which had been the citadel of economic individualism in the Union of Soviet Socialist Republics. Today the collectivization of agriculture is an achieved fact. For an understanding of how it has come about it is necessary to review briefly the course of recent Russian agrarian evolution.

The agrarian revolution of 1917–18 led to the enthronement of the small peasant landholder. Even before the revolution he was an important figure in the Russian land economy. For he was adding, through purchase of the estate land owned by the large landowners, to the area originally allotted to him during the emancipation from serfdom in the middle of the nineteenth century. Notwithstanding this general trend toward the liquidation of large landed properties, they still accounted, on the eve of the Revolution of 1917, for approximately one third of the land area of European Russia in farms,⁸⁶ although they showed considerable variation in importance from region to region. Moreover, estate farming, notwithstanding the

⁸⁶ Much of the estate land, however, was in forest, was uncropped, or was leased to the peasants, thus diminishing still further the significance of estate farming as distinguished from land ownership, and increasing the importance of peasant agriculture. But the extension by the pre-war Russian peasantry of its land area through purchase and lease, was often due more to adversity than to prosperity. For the rapidly growing rural population could not find, for various reasons—chiefly insufficient industrialization of the country—an adequate outlet in nonagricultural occupations; while the holdings originally allotted during the emancipation were too small or ill-balanced, and the intensification of farming was too limited, to support the growing population. As a result, the leasing or purchase of additional land became the only way out of distress for a large number of peasants. Under such conditions they had to pay for the land a heavy tribute to the landowners, in high rentals and purchase price in addition to the heavy redemption payments for the area originally allotted during the emancipation. On the other hand, there were a good many peasants, among the better-to-do groups, who extended their area through purchase and lease—even leasing land from the poor peasants who were not able to cultivate their allotments—in order to engage in commercial farming. For the Russian peasantry has not been a strictly homogeneous economic group; it has been marked by division into different layers of prosperity with the landless proletariat at the bottom and the strong peasant, approaching a capitalistic farmer, at the top.

encroachment of peasant agriculture, still played before the World War a significant role in production of commercial crops such as wheat, for instance.

Shortly after the Revolution of February 1917 and before the Bolsheviks came into power, the peasants took the law into their own hands and proceeded in many sections with the seizure of the estates. The first step of the Soviet Government on coming into power in the autumn of 1917 was to sanction the division of the estate land among the peasants and to abolish private property in land as a legal institution. It may be noted that the Soviet Government in its initial stage was actually a coalition of the Bolsheviks and the left wing of the Socialist Revolutionary Party—the latter being largely responsible for the early Soviet agrarian policy and legislation. The Socialist Revolutionaries represent a current of Russian socialism which has been favorably inclined toward small-scale, family, peasant farming on the basis of a communal land tenure with its periodic redistribution and equalization of land holdings—a characteristic Russian system of peasant land tenure. On the other hand, the Bolsheviks, who adhere to the Marxian theory with its doctrine of the superiority of large-scale methods of production in agriculture as well as in manufacturing industry, have regarded small-scale farming in an unfavorable light. The exigencies of revolutionary politics, however, made it necessary for them to accept at first a great extension of small-scale peasant agriculture.

The revolution thus swept the system of estate or large-scale capitalistic farming entirely away and resulted in the transfer of practically all the available farm land, as well as implements and livestock, with the exception of a small area retained by the State, into the hands of the peasants. This process did not stop simply with additional allotment of land at the expense of the confiscated estates, but involved also a very significant redistribution of the peasant holdings. The net result was a diminution in the size and a general leveling or equalization of peasant holdings with a consequent drastic reduction in the number of the larger holdings and a decrease of the landless peasant households. Many of the new farm units, however, because of their small size and lack of necessary capital, were ill fitted for production, especially commercial production.

With the break-up of the alliance between the Bolsheviks and the Socialist Revolutionaries in the summer of 1918, and the developing food shortage in the cities, a change in the Soviet agrarian policy took place. The Soviet Government turned to socialist experiments in agriculture, the organization of state farms, the encouragement of various forms of collective farming, and later, toward the end of this period of so-called "war communism", it considered projects of even more thorough-going control of all agricultural production. Thus a decree of the All-Russian Central Executive Committee issued in February 1919 states: "* * * transition from individual to co-operative forms of farming (land utilization) is necessary. Large Soviet farms, communes, cooperative cultivation of land, and other forms of cooperative farming (land utilization) are the best means for achieving this purpose. Therefore, all forms of individual farming (land utilization) must be looked upon as passing and dying out."

Even earlier the Government adopted the policy of requisitioning the surplus produce in the hands of the peasants,⁸⁷ enlisting for this task the aid of the poorer groups among the peasantry together with the city workers. This policy, coupled with the fact that the Soviets could offer little to the producers of farm products in exchange except heavily depreciated currency, greatly accentuated the decline of acreage and production, especially commercial production and cash crops, which set in with the war and revolution. The peasants tended to produce only for their own needs, and resisted requisitions. Thus a contest began between the Government and the peasantry, which cannot even yet be said to have ended. The peasants won, however, important concessions when the New Economic Policy, or the "Nep", was proclaimed in the spring of 1921.

The urgent need of solving the food problem and of allaying serious discontent led the Soviet Government, in the spring of 1921, to retreat from the regime of war communism, under which the private market had been legally abolished, and to inaugurate a more liberal policy toward private enterprise. The twin basic features of this New Economic Policy, with which the "Nep" period was ushered in, were the replacement of the requisitions of peasant produce by a tax in kind (later commuted into money) and the legalization of the free market.

In its subsequent development, however, the "Nep" involved a realignment of the whole Soviet economic system. It divided Russian economic life into two important sectors: the socialist sector, which from the very beginning included practically all large-scale manufacturing industries, mining, transportation, banking, and foreign trade, and gradually embraced more and more of the domestic trade; and the individualistic sector, which included retailing, handicraft industries, and, above all, farming.

The land code of 1922 provided a legal basis for the new development of the peasant farming on individualistic lines. In contrast to the policy laid down in the law of 1919, the new legislation permitted the peasants to choose whatever form of land tenure or type of farming they desired, subject, of course, to the general condition of nationalization of all land, whereby it became the property of the Soviet state. The land, therefore, still could not be legally sold or bought, mortgaged or bequeathed by the holders. The land code of 1922, however, permitted, with important limitations, the leasing of land and the use of hired labor, previously forbidden by the Soviet laws. The lifting of this ban was especially important for the peasants who, whether because of the lack of livestock or implements or for other reasons, found it impossible to cultivate their holdings.

The "Nep" period embraced roughly the years 1921-27. It was a period of economic recuperation of Soviet Russia after the revolution and civil war. The Soviet Government, interested principally in securing for the needs of the country a sufficient supply of foodstuffs

⁸⁷ The Soviet Government did not originate the system of requisitions. The system had been gradually developed by its predecessors during the World War and after the revolution of February 1917; but, faced by a critical situation with some of the most important grain regions cut off by the spreading civil war, the Soviet Government went much further and in a much more drastic fashion in applying this system, and provoked, in the process, an intensive struggle in the countryside. For details see: V. P. Timoshenko, *Agricultural Russia and the Wheat Problem*, 1932, chapter XIV; N. D. Kondratiev, *The Grain Market and Its Regulation During the War Period and Revolution* (Russian), Moscow, 1922; *Food Supply in Russia During the World War*, issued by the Carnegie Endowment for International Peace.

and other farm products and in consolidating its position on the industrial front, left the peasants for the most part alone. The recovery of the greatly reduced crop area was at first retarded by the disastrous failure of the crops and the famine of 1921, which even led to a further serious decline of acreage. The year 1922, in which the acreage sown reached a record low, served as a turning point, and a rapid recovery ensued during the subsequent years. A similar evolution can be traced with respect to numbers of livestock. As the natural process of division of the peasantry into different economic strata or levels of prosperity began to take place under the influence of the regime of free competition, the revived cooperative movement under Soviet control began to be looked upon as a means of improving the position of the less prosperous peasants.

Thus the third Soviet Congress in May of 1925 declared, with regard to the poor and middle elements of the peasantry, that "the union of these classes of peasantry through cooperation and, in the first instance, agricultural and credit cooperation, is the only correct method of increasing their economic power and of waging the struggle against exploitation on the part of the wealthy usurers and middlemen and of attracting the peasants to the task of socialist construction. The first and principal objective of the Soviet Government at the present juncture is to aid the small peasantry, united in cooperatives, to enlarge its livestock and implements to the extent called for by the requirements of family farming." The same pronouncement declared the use of "administrative" (that is, coercive) measures against the more prosperous peasants not to be feasible. Another evidence of a more liberal policy toward individualistic farming could be seen in the further relaxation in 1925 of the legal restrictions (frequently avoided in practice) on the leasing of land and the use of hired farm labor.

Approximately since 1927, however, the Soviet agricultural policy has been taking a new turn. The principal objectives of the new Soviet agrarian policy became: first, the struggle against the more prosperous strata of the peasantry, so-called "Kulaki" (literally translated from Russian as "fists"), which began over the matter of the grain supply and which took various forms, from steep progressive taxation to wholesale evictions and confiscation of property as a culminating point; second, the development of socialist types of farming—collective and state farms and machinery-tractor stations—to replace farming on individualistic lines. The restrictions on private trade in farm products which the "Nep" originally lifted began even earlier and were greatly intensified with the new shift in the Soviet economic policy.⁸⁸

A number of reasons combined to bring about this change of policy. Among the more important must be mentioned the radical, so-called "left opposition" to the policies of the "Nep" which developed within the Communist Party, and which, although it was defeated, still apparently influenced the official policy of the Soviet Government. Of even greater importance was the difficulty experienced in

⁸⁸ Side by side with private trading in farm products, legalized by "Nep", there has developed from the very beginning of the period a system of Soviet procuring agencies which has tended to become more and more unified in organization and monopolistic in character.

the matter of Soviet procurements of farm products, especially grain, from the peasants, which had developed by 1927-28 and led to a revival of coercive methods in government procuring operations. With the suppression of much of the private trade, the Soviet Government was assuming greater responsibilities for the feeding of the growing urban population. At the same time the high prices of manufactured goods and their shortage, poor quality, and inefficient distribution caused a reluctance on the part of the peasants who had a surplus, primarily the more well-to-do groups, to sell to the Soviet organizations at the prices offered by the latter or to increase their production.

The reduction in the prices paid by the Soviet procuring organizations for grain in 1926-27 and 1927-28, while the level of prices paid for products of intensive branches of agriculture was maintained or increased, accentuated the "sales resistance" of the peasants with respect to grain. Moreover, the fact that the prices in the free grain market were higher than government prices interfered with state procuring operations while private trade was still of some importance. All these factors tended to retard production, as did also the unfavorable weather conditions in 1927-28 and 1928-29. Thus difficulties in the matter of the grain supply were enhanced.

The situation was also felt to be unsatisfactory from the standpoint of the technical progress of agriculture. The continued subdivision of Russian farming since the revolution and the small size of the average peasant holding were considered to be adverse to efficient farming and tended to diminish the commercial output of agriculture. In 1916 it was estimated that within the present territory of the Union of Soviet Socialist Republics there were 21,000,000 peasant households, a great majority of which constituted independent farm units, while by 1927 the number of peasant households increased to 25,000,000. In other words, the Soviet Union had, in 1927, more than 20,000,000 independent farms as against approximately 6,400,000 in the United States, according to the Census of Agriculture, 1925.

The smallness of the farm units in the Union of Soviet Socialist Republics can be best visualized when a comparison is made between the average size of the farms in the important wheat regions of that country and in some of the leading wheat-producing States of the United States. Thus in North Caucasus, Crimea, Steppe Ukraine, and Siberia, where the size of the farms as a rule was above the average for the Union of Soviet Socialist Republics as a whole, the average crop area per farm ranged between 17 and 35 acres, according to a sample census taken in 1927; while in North Dakota it amounted to 284 acres; South Dakota, 222; Nebraska, 168; and Kansas, 152 acres, according to the Census of 1930. The disadvantage of the small-size peasant holdings was aggravated by the fact that they were made up of many scattered narrow plots or strips. The peasant holding in some cases consisted of as many as 100 to 150 different strips dispersed over a considerable area. In general, this system was an obstacle to progressive development of Russian agriculture. The open-field, scattered-strip farming made for inefficient cultivation; it increased labor requirements, both human and animal; it involved a waste of land for numerous boundaries, which helped to spread weeds; it precluded the use of modern machinery and interfered with improvements in crop rotation.

Another unfavorable factor in the Russian agricultural situation was the lack of draft animals on many of the smaller holdings. Thus the sample census of 1927 showed that in such an important grain region as North Caucasus 46 percent of the farms investigated were without draft animals. In the Lower Volga region the percentage of farms without draft animals was 36 percent, and in the Steppe Ukraine 31 percent. The situation was rendered still more difficult by the fact that many holdings which lacked draft animals were really too small to make the use of such animals economical, and this likewise applied to modern machinery.

The Soviet Government was thus faced with a dilemma: on the one hand, technical inefficiency of the small peasant agriculture and its ineffectiveness from the standpoint of commercial production; on the other hand, opposition of the ruling Communist Party to the development of stronger farming on individualistic or capitalistic lines. The strong, better-to-do peasants or Kulaki were looked upon as forming an opening wedge of capitalism, and were felt to constitute a sort of barrier or competitor to the soviet power in the countryside, because of their influence on the poor, and especially the middle peasants. Moreover, the Soviet Government, bent on the use of all the resources for a speedy industrialization of the country, has been anxious to secure at low prices the largest possible supply of agricultural products for export and for the needs of domestic industry and the industrial workers. This applies particularly to grain. The Kulaki, on the other hand, who had a surplus, would not part with it under such conditions or even go so far as to curtail production. Hence the mutual hostility between the Soviet Government and the Kulaki. The very fact, however, that as a result of this conflict the development of strong individualistic farming of any consequence was discouraged by the Government tended to accentuate the main obstacle to increased efficiency of Russian agriculture. This was the extreme parcellation of land holdings, due in the first instance to the agrarian revolution and the rapid growth of rural population. The result was a sort of a vicious circle. Efficient agriculture was desired, but the more efficient type of farming under prevailing conditions was not acceptable to the Soviet Government.

It is an interesting question whether the impasse which the soviet agrarian problem presented could have been surmounted and further progress made if the "Nep" policies, under which agricultural production had after all shown a great recovery, had been continued, as advocated by the so-called "Right opposition" group of the Communist Party. This, however, was ruled out by the Soviet Government. In May 1928 it adopted the first Five-Year Plan of economic development, among the principal objectives of which were the rapid industrialization of the country and "the socialist reconstruction of the village", although the latter was still projected on a modest scale.

The Government thus determined, as it did a decade earlier during the period of war communism, upon the collectivization of peasant agriculture, the development of state farming, and the elimination of the well-to-do peasants or kulaki, as a way out of the dilemma. In this manner it was intended to bring Russian agriculture under the Soviet control, as industry was brought under it earlier, and to increase its efficiency, but on collectivistic instead of indi-

vidualistic lines. The steps contemplated or taken for the latter purpose included: The elimination of strip farming and consolidation of the small holdings into larger units; the pooling of the available draft power and implements owned by individual peasants; the mechanization of peasant agriculture; the development of large-scale state power farming and the improvement of the systems of crop rotation, which is especially stressed with the recent shift of emphasis from mere expansion of acreage to improvement in production methods and yields.

Just as the "New Economic Policy" or "Nep", which supplanted the regime of war communism, found its legal expression, as far as land relations were concerned, in the land code of 1922, so that more recent agrarian policy which has replaced the "Nep" during the last few years was reflected in the new land law of 1928. Article 4 of this law posits as the two aims of all activity in connection with land and farm organization: "The development of productive forces of agriculture and the ever-increased socialist organization (construction) of farming." As means to these ends and "the related object of increasing the well-being of the large masses of poor and middle peasantry", the law specified the adoption of the following measures: "The raising of the technical level of agriculture; the inclusion of wide masses of the working peasantry within the cooperative movement; the strengthening and development of a net of collective and state farms and also the adoption of effective measures for the defense of the interests of the weak classes of the countryside and agricultural workers and for surmounting the kulaki." Unlike the code of 1922, which did not differentiate between types of land tenure and permitted the peasants a free choice, the law of 1928 granted a preferential right in the matter of land allotment to collective farms and to the poor and middle peasants whose holdings were too small. Similar preference was given with respect to the quality and location of the allotted land.

The collectivization of peasant agriculture had thus become once more the central objective of the Soviet agrarian policy. The organization of collective farms was first begun during the period of the war communism, but the movement received a serious setback with the introduction of the "Nep" and the restoration of the free market. Although collective farming had shown some growth with the support of the Government during the later years of the "Nep" (especially in the case of simpler forms of producers' cooperative associations), still in 1927 it accounted for less than 1 percent of the acreage sown. A few years thereafter, as a result of a strong campaign by the Government, collective farming became the principal form of Russian agricultural organization.

The collectivization campaign became especially intensive in the fall and winter of 1929-30, when drastic measures were adopted to "liquidate" the kulaki and to bring the middle and poor peasants into the collectives. But the methods used by the authorities to stampede the peasants into the collectives provoked a serious discontent on the part of the peasantry. The peasants slaughtered their livestock on a vast scale rather than see it become collective property, inflicting a staggering loss the result of which has been a serious shortage of animal products and draft animals. Thus the

number of horses decreased between 1929 and 1930 by 11 percent, young cattle by 30 percent, sheep and goats by 23 percent, and hogs by 35 percent. In many cases the collectives organized were of an extremely large, unwieldy size and of the full-fledged commune type with emphasis on consumption rather than on commercial production. The administration in Moscow realized that collectivization had been pushed too far and in wrong directions and it called a retreat in the collectivization campaign early in the spring of 1930 with the publication in the Soviet press of the famous article by Stalin, entitled "The Dizziness from Success", followed by other official pronouncements of a similar tenor.

While a temporary setback in collectivization occurred in the spring of 1930, with a considerable exit of peasants from the collectives, the Soviet Government did not abandon its goal of wholesale collectivization and the collectivization campaign shortly resumed its progress. The collectives were given priority or exclusive advantages in the distribution of agricultural implements, credits, and other state assistance; also taxation privileges and preference in the matter of land allotment. On the other hand, peasants could no longer hope for an economic advance on individualistic lines after the campaign to "liquidate the kulaki", which was tantamount to the economic extermination of the more prosperous peasants. The whole status of the remaining individual peasant farmers in fact came to be considered as merely transitional and they were looked upon by the Government as potential members of collective farms, who were losing through their delay in joining the movement.⁸⁹ The peasants, therefore, flocked to collectives, whether because of the advantages that the latter offered or the disadvantages of staying out.

State farming also has made considerable advance since the spring of 1928 when its development once more became an important factor in the Soviet agrarian policy, after relative stagnation in this field during the period of "Nep." This time, unlike the period of War Communism when Soviet state farms were organized in the few estates that escaped complete destruction, the emphasis was put on the organization of new large-scale mechanized grain farms in the relatively undeveloped eastern and southeastern regions of the Union of Soviet Socialist Republics. To surmount the difficulties in the livestock situation which resulted from the drastic collectivization campaign of 1929-30, various types of state as well as collective livestock farms were organized.

The collective and state farms, which together constitute the so-called "socialist sector", play today a predominant role in Russian agriculture, especially in the grain surplus-producing regions. On July 1, 1928, there were, according to official Soviet figures, a little over 33,000 collective farms which combined approximately 417,000 peasant households with a total sown area of approximately 3,400,000 acres. On July 1, 1931, there were approximately 218,000 collective farms, combining 13,562,000 peasant households with an area of nearly 198,000,000 acres. Between 1928 and 1931 the number of state

⁸⁹ "Before each poor and middle individual peasant there has arisen a fundamental question: for or against the collective farm". Quoted from the Report of the Commissar of Agriculture of U.S.S.R., Ia. A. Iacovlev at the VI Congress of Soviets ("Socialist Reconstruction", no. 3, 1931).

farms increased from 3,125, with an area of 4,290,000 acres, to 5,383, with an area of 26,000,000 acres. Collective farms accounted for 69 percent and state farms for 11 percent of the total 1932 spring acreage. In other words, four fifths of the 1932 spring acreage were sown by collective and state farms and the remaining fifth by individual peasant farmers, while only a few years ago the situation was the reverse and the "socialist sector" played an insignificant role in Russian agriculture.

The collective and state farms have undoubtedly shown great progress during the last few years, when measured by such tests as acreage or the number of peasant holdings collectivized. In these respects collectivization went far beyond the maximum specifications of the first Five-Year Plan which assigned a relatively modest position to collective and state farms in the Soviet agricultural economy.⁹⁰ The process of collectivization and "liquidation of the Kulaki," however, involved heavy costs, human and economic. Furthermore, many shortcomings have been reported in the management, organization, and functioning of these new types of farms by official Soviet sources as well as by independent observers.⁹¹ There had been frequent complaints of inefficient crop cultivation, harvesting, and animal husbandry methods, aggravating the unfavorable effect of climatic factors on yields.

The old problem of providing incentives to the peasants to expand their output for the market is apparently still much to the fore, as is evidenced, among other things, by the recent legislation modifying the system of procurement of farm products. It is closely related, of course, to the problem of the shortage of consumers' manufactured goods, due in part to inefficient distribution but rooted largely in the emphasis laid in the first Five-Year Plan, and consequently in the

⁹⁰ According to the Five-Year Plan the sown area of collective farms was to reach 36,000,000 acres in 1932 and of state farms, 11,000,000 acres; actually in 1932 the area of collective farms amounted to over 229,000,000 acres and that of state farms to nearly 34,000,000 acres. But it should be noted that the Five-Year Plan in its original version called for a total acreage to be sown on all types of farms in 1932, of between 345,000,000 acres (minimum) and 349,000,000 acres (maximum or optimal version). The actual acreage seeded during the season 1931-32 amounted, according to preliminary official figures, to 337,000,000 acres or 8,000,000-12,000,000 acres less than contemplated by the Five-Year Plan for that year. For a number of individual, principally industrial, crops, however, such as cotton and sugar beets, the maximum acreage specified by the plan has been greatly exceeded. Moreover, the total sown area on all types of farms increased, according to official Soviet figures, between 1928 and 1931, by 52,000,000 acres, of which 35,000,000 acres represent the increase between 1930 and 1931. But in 1932 the acreage was slightly below that of 1931. The fragmentary data available on yields in 1931 and 1932 indicate that the yields have been low and greatly under the expectations of the Five-Year Plan.

⁹¹ A decree of the central executive committee of the Union of Soviet Socialist Republics of Jan. 3, 1933, states that: "In the work of collective farms as new enterprises, only recently created, and moreover, created under conditions of cultural and technical backwardness of the village, there are great defects which hinder the Soviet state and the peasantry of the collective farms from utilizing immediately all the advantages of the social form of the organization of work." (Reported in "Socialist Agriculture", Feb. 2, 1933.) The same subject was touched upon in a speech by the chairman of the Council of Peoples' Commissars of the Union of Soviet Socialist Republics, V. M. Molotov, at the first All-Union Conference of the Shock Collective Farmers on Feb. 18, 1933, reported in "Socialist Agriculture" of Feb. 21, 1933: "Millions of peasants made a sharp turn into the road of collectivization—in this lies our strength. But in this lay also our difficulties. These difficulties consist in the achievement of an organization of collective farmers which shall transform the majority of collectives, and later all of them, into units that are organized efficiently and along Bolshevik lines. Meanwhile we have still not a few poor collective farms. At this conference are represented over 1,500 collective farms which may be considered as the better organized. There can be found still other thousands of collective farms where the business is conducted properly. But there are not a few collective farms in which the collective business is not properly organized and in which there are not a few idlers and spongers living at the expense of honest collective farmers."

whole economic and commercial policy of the country, on the development of the so-called "heavy" industries producing capital goods.⁹² Consequently the struggle of the Government with the peasants over grain, which played so signal a role in recent Russian agrarian history, has apparently not ceased with collectivization of agriculture.

Side by side with these old problems, however, new ones have cropped up in the course of the recent transformation of Russian agricultural organization. Many of them center around the difficult question of the adjustment of peasants, who were only recently independent farmers, to the new government-sponsored scheme of collective farming and of making efficient farmers out of them in the new environment.⁹³

In this connection the problem of the distribution of income among the collective farmers and its relation to productive efficiency is especially significant.⁹⁴ Likewise the question of the most effective size of the new farm units and the stability of their area,⁹⁵ the problem of the effective training within a short time of the large managerial and technical personnel,⁹⁶ which is badly needed; and many other problems of internal organization, management, accounting, and planning have taxed the attention and required solution on the part of the Administration.

In general, collectivization has resulted, as Stalin pointed out in a recent speech on "The Work in the Village",⁹⁷ in a greatly increased responsibility of the Government for the task of managing agriculture which formerly devolved upon millions of independent peasant farmers, and which became much more complicated with the integration of the average farm unit. Thus, the problem of the assembling

⁹² In the opinion of some observers such shortages of various kinds of articles of consumption have been largely responsible for the great turn-over of labor in the Soviet industries and agriculture, with its detrimental effect on productive efficiency.

⁹³ How this maladjustment has affected the acute problem of the care of draft horses on collective farms was brought out by the chairman of the Council of Peoples' Commissars of the Union of Soviet Socialist Republics in another speech: "The essential fact must be reckoned with that the horse which has been transferred from the ownership of the individual peasant to that of the collective is no longer considered by some collectivized peasants as their horse. * * * The psychology of the small property holder had a sharp negative effect (i.e. was a severe hindrance) during the first stage of agricultural collectivization particularly in the matter of the horse; for the peasant, having ceded his horse to the collective farm, did not in all cases consider it his own as well as that of the collective and realize that he should take care of it just as when it was his private property." (The concluding remarks of V. M. Molotov at the III Session of the Central Executive Committee of the Union of Soviet Socialist Republics. Reported in "Economic Life", Jan. 29, 1933.)

⁹⁴ The Soviet solution of the problem has been along the lines of developing methods of payment by results (piece work) and the banning of the principle of equal distribution, which many collective farms have practiced, as detrimental to efficient work. The official Soviet slogan in this matter has become: "He who works more and better receives more; he who does not work does not receive anything".

⁹⁵ There has been a tendency in the organization of the state and collective farms to strive after size irrespective of whether it resulted in an economical unit. This tendency, dubbed in Soviet criticisms as "Gigantomania", has necessitated in many cases subdivision of the very large farms. In addition to the process of subdivision and reorganization of state and collective farms to correct the mistakes of "Gigantomania", there has been also introduced the principle of division of state and collective farms into smaller constituent units for the purpose of a more effective administration and organization of work. On the other hand, there has been a great deal of arbitrary reshuffling and change in the holdings of collectives, from which land was often taken and allotted to state farms or other collectives. To put a stop to these practices, interfering with efficient farming, a special decree was issued by the Soviet Government in the autumn of 1932.

⁹⁶ This question has recently attracted considerable attention on the part of the Soviet authorities who took steps to provide increased facilities for the training of agricultural specialists in the higher ranks. In addition there is the problem of training a large staff of skilled farm workers. The magnitude of this task may be gaged from the fact that the plan for 1933 calls for the training in special short-term courses of as many as 473,000 skilled workers of various kinds for collective farms and machinery-tractor stations, and there are, of course, additional personnel requirements for the state farms.

⁹⁷ "Economic Life", Jan. 17, 1933.

of the seed supply, timely sowing and harvesting, the care of draft animals, crop rotation and other details of farming, with which formerly the Government rarely concerned itself directly, now require its attention.

The fact that no improvement in the food supply has occurred during the last few years and that, on the contrary, the situation has grown more critical in important producing regions certainly reflects seriously on the efficiency of the new Russian agricultural organization; but poor crops and the drastic collection and export policies⁹⁸ must share the responsibility. It must be borne in mind, however, that the new Russian agricultural organization is, to a considerable extent, still in a flux of experimentation. This is apparently designed, in part at least, to remedy the defects and difficulties encountered. The fact that a new generation is growing up which may show greater adaptability to the novel types of agricultural organization must not be lost sight of. Likewise, a more experienced leadership may develop in time. Furthermore, the growing industrialization of Soviet Russia is likely to result in better equipment of the collective farms with tractors and implements and may conceivably, if greater attention is paid to light industries and they become more efficient, alleviate the shortage of consumers' goods.

These, very briefly, are some of the more important items in the balance sheet of the latest stage of soviet agrarian policy. In general, however, a definite appraisal at this juncture of the present scheme of Russian agricultural organization is premature, as its history is still too recent, and reliable data, especially quantitative data on farm output, are insufficient. Furthermore, its future development is likely to be affected by a number of unpredictable factors, among which the weather and the Government's policy are not the least important.

The soviet agrarian policy, although bent on socialization, has been oscillating between the use of compulsion and a policy of conciliation of the peasants based on an appeal to their economic self-interest. Of course, the Soviet Government has relied on both these methods, but in varying proportions at different times. On the whole, since 1928, the compulsory element has greatly predominated. Recently it has been in evidence in the severe and repressive measures adopted in connection with grain collections and preparation for the spring-sowing campaign in the north Caucasus and in the drastic penalties provided for offenses against collective property and breach of working discipline committed by the members of the collectives. On the other hand, the Soviet Government took steps in the summer of 1932 to lift partially the ban which practically existed on the

⁹⁸ The Soviet export policies have been dictated, of course, by the need of payment for the heavy import requirements of the industrial program of the Five-Year Plan. The quantity of foodstuffs exported by the Union of Soviet Socialist Republics has greatly increased during the last few years, according to official Soviet statistics. In 1930 and 1931 the exports of foodstuffs increased 5 to 6 fold compared with 1929; and even in 1932, when exports declined heavily, they were 2½ times as large as in 1929. The value figures of these exports, however, showed a much smaller increase during the year 1930, decreased somewhat in 1931, and dropped in 1932 below the level of 1929, according to Soviet statistics. The exports of foodstuffs not only increased absolutely but constituted in 1930 and 1931 a larger proportion of the total exports than in 1929, the figures being 34.2, 37.3, and 24.3 percent, respectively. In 1932 these exports again declined approximately to the level of 1929 as far as the relative share in the total Soviet export trade was concerned.

private trading of peasants, but without permitting the participation of private middlemen, as was the case during the early part of the "Nep" period. The Government followed in the winter of 1932-33 with the modification of the procuring system of farm products, which gradually lost its commercial character, into a legalized scheme of taxation in kind. Thus, to stimulate the lagging interest of the peasants in the expansion of agricultural production, some of the principles of the "Nep" were restored on a limited scale.⁹⁹

The increase in the output of farm products is thus one of the foremost objectives of the Soviet Government. It has been rendered necessary by the rapidly increasing population¹ and the need of improving the domestic standard of living which has been characterized by serious food shortages during the last few years, as well as by the desire to develop an extensive export trade to provide means of payment for the import requirements of an ambitious industrialization program.² In striving to increase production, however, the stress is at present laid not on further extension of acreage, especially the acreage of industrial and cultivated crops, requiring a great deal of labor and draft power, but on better cultivation of land and increased yields "as the main and central problem in the field of agriculture in the present stage of its development."³

In the light of this situation considerable significance may be attached to the emphasis on scientific agricultural research by a number of institutions for the coordination and systematization of which there has been established the Lenin Academy of Agricultural Sciences. Selected and pure seed, new crops, improved systems of crop rotation, and other improvements in agricultural technic are being introduced. But side by side with these progressive developments there have been evident in recent years such unfavorable factors in agricultural practice as sowings delayed partly through the fault of management, weediness of the fields, and inefficient harvesting, with resulting large crop losses. Serious losses of livestock, especially young stock, due to poor handling, have also been reported.

A great deal of attention is paid by the Soviet authorities, as part of the program of expansion of production, to the mechanization of agriculture. The number of tractors on farms increased, according to Soviet official figures, from 24,504 on October 1, 1927, to over 140,000 in the spring of 1932. At first tractors were imported from the United States,⁴ as the domestic production, which did not begin on a commercial scale until 1925, was small for several years thereafter. Two new tractor plants, however, have been constructed recently; in Stalingrad (lower Volga region) where production started

⁹⁹ According to the new law, the peasants, after meeting all their obligations to the state, will be free to dispose of their produce, but only when the procuring plan for their district or region is fully executed.

¹ The population of the Union of Soviet Socialist Republics was estimated officially at 138,199,000 on January 1, 1914; 147,028,000 according to the Census of December 17, 1926; and 162,143,000 on July 1, 1931.

² Soviet exports have been affected adversely by the world economic depression; this has led to a curtailment of imports into the Soviet Union.

³ Decree of the Council of Peoples' Commissars of U.S.S.R. and the Central Committee of the Communist Party, September 29, 1932. ("Socialist Agriculture", September 30, 1932.)

⁴ Nearly 86,000 tractors were shipped to the Union of Soviet Socialist Republics from the United States during the period 1925-31. More than 23,000 were shipped during each of the years 1930 and 1931. In 1932, however, United States exports of tractors to Soviet Russia became insignificant, with only 32 tractors shipped.

in June 1930 and in Kharkov (Ukraine) which began operation in October 1931. Although considerable operating difficulties were experienced, especially in the Stalingrad plant, and production lagged behind schedule, nevertheless the total number of tractors manufactured in the Union of Soviet Socialist Republics increased from 4,569 in 1929 to 12,727 in 1930, and 39,879 in 1931. It was reported that over 40,000 tractors were manufactured during the first 10 months of 1932. Another new plant to manufacture tractors of the crawler or track type was officially opened on June 1, 1933, in Cheliabinsk (Trans-Ural). This factory has been projected for an ultimate production capacity of 40,000 tractors a year, but the program for 1933 calls for only 2,000 tractors.

The supply of tractors in Russian agriculture still lags considerably behind that of the United States with its more than 900,000 tractors on farms, according to the Census of 1930. Furthermore, with a serious shortage of draft animals in the Union of Soviet Socialist Republics, the tractor supplemented rather than displaced the badly needed horse⁵ in contrast to the situation in the United States during the decade following the World War. This is evidenced by the official slogan of the necessity of a "combination of the tractor with the horse in field work." A tractor in the Soviet Union, of course, may work more acres than in other countries, as it was claimed. But there is a counterbalancing factor, at least for the present, in the considerable loss of tractor working time in the Union of Soviet Socialist Republics resulting from such causes as heavy wear and tear, due to the handling of tractors by inexperienced or inefficient operators; poor organization of repair work; shortage of spare parts; and the wasteful movement of tractors from place to place.

Combined harvester-threshers have also been introduced in Russian agriculture. On May 1, 1932, there were 8,904 combines on farms in the Union of Soviet Socialist Republics. Over 3,900 combines were shipped from the United States to Soviet Russia during the 4-year period 1928-31. Domestic production of combines on a commercial scale began in 1930 in a plant in Ukraine and a new combine plant was recently constructed and is now operating in Saratov.

To facilitate the use of tractors and to make the area served by them as large as possible, a new type of farm organization has been evolved, called "machinery-tractor station", in which a number of tractors and tractor implements are operated as a unit, under single management, with its own repair shops and staff of operators. The machinery-tractor stations contract with collectives for the performance of necessary field work, for which they are paid by the latter with a share of the crop in "kind." Thus machinery-tractor stations also serve as an important instrument in the collection of farm products by the state. At the end of 1932, there were 2,446 such stations. They planted more than half of the 1932 spring acreage of the collectives. In 1933 the organization of 322 new machinery-tractor stations has been planned. The recently announced addition

⁵ The importance of the "conservation and increasing the number of horses" has been stressed in various official pronouncements, such as the decree of the Central Committee of the Communist Party of May 27, 1932, which records the decrease in the number of horses and deterioration in their quality in many sections of the country.

of special "political departments" to the machinery-tractor stations and state farms is designed to tighten the Soviet control over the collective and state farms and to promote their efficiency. In addition to machinery-tractor stations, state farms have assisted collectives with field work.

Taxation abatements and exemptions and loans to farmers, with whom contracts are made for acreage, have been used as a means of encouraging the expansion of acreage and the growing of new crops or the extension of cultivation into new regions.

In all measures of government aid in the Union of Soviet Socialist Republics the attention is centered on state and collective farming. The individual peasant farmers, who account for a fifth of the Russian acreage, receive little if any government aid. Thus they were not mentioned in official decrees announcing the granting of seed loans in the winter of 1932 and again in the winter of 1933 in regions affected by crop failure. Individual peasant farmers, however, are required to deliver to the state larger quantities of farm products than are the collective farms.

Centralized state planning constitutes a distinctive feature of government control of agriculture as of other phases of economic life in the Union of Soviet Socialist Republics. Its development has paralleled the growth of collectivism and the decline of private enterprise and of the free market. Agriculture is first of all subject to the general planning, which embraces the whole national economy and is exemplified in the well-known Five-Year Plan as well as in the annual plans. On the basis of the larger general plans there are usually elaborated special, more detailed, plans extending all along the line to the smallest unit of economic activity. Of such specialized plans, the scheme of regional agricultural specialization, the sowing program, specifying the acreage to be sown to various crops in different regions, and the plan fixing the quantities of farm products to be delivered to the state, are the most important as far as agriculture is concerned. The individual regions, districts, collective and state farms, are encouraged to propose so-called "counterplans", exceeding the requirements and tasks set up in the official plans.⁶ The official plan may or may not be executed; its execution may be faulty, or it may be poorly drawn, seriously miscalculated, and subsequently modified. These are all vitally important questions of the technic of planning, but they do not affect the central position of the plan in the Soviet system of economic administration.

All foreign trade, including exports and imports, has been a monopoly of the Soviet Government since 1918, and this fundamental principle has not been affected by changes in the soviet economic policy during the last 15 years. With exclusive state monopoly providing a complete control of foreign trade, the problem of foreign competition in the domestic market, in the form in which it is met in other countries, obviously does not exist in the Union of Soviet Socialist Republics, even though Soviet economy is not entirely insulated from the effects of world economic currents. Furthermore, export and import trade in agricultural as in all other products is carried on in the light of general objectives of economic and financial policy

⁶ The setting up of procuring counterplans at the behest of the authorities is prohibited by the new law governing procurements.

of the Soviet state. Attention is thus paid not only to prices and the profitableness of individual transactions but also to the balance of international payments as a whole. The state monopoly of foreign trade, coupled with a virtual monopoly of the domestic market and the power to ration consumption, endows soviet foreign trading with a certain degree of elasticity in the matter of expansion and contraction of exports and imports, within the limits set by international market conditions. Thus commodities which under competitive conditions might be considered deficit products may be exported by Soviet Russia when financial exigencies or other reasons so dictate; and likewise the regulation of imports may be quite different from what would have been the case under free competition.

PART III

EFFECTS OF TRADE BARRIERS AND RELATED MEASURES APPLYING TO AGRICULTURAL PRODUCTS UPON PRICES OF SOME IMPORTANT FARM PRODUCTS IN THE UNITED STATES

CHAPTER VIII

WHEAT

Of all the agricultural commodities, wheat has been subjected in recent years to perhaps the most wide-spread legislation and governmental control. It has been subject to direct legislation and to legislation affecting it indirectly through flour, bread, and other products. Most of the countries of the world, whether large or small, have provided for some sort of restriction of imports, encouragement of exports, control of prices, or other relief to wheat growers. In a number of countries these measures have succeeded in maintaining prices at levels substantially higher than those in the uncontrolled wheat markets of the world; in other countries the measures have had little effect; in still others, virtually none.

The almost universal legislative and administrative attention which has been given to wheat by the governments of the world is largely an outgrowth of the development of the spirit of economic nationalism following the war. Many nations, especially those of Europe, were trying to become more self-sufficient in necessities of life, such as wheat. Furthermore, wheat is very important in international trade, and hence it is a major item in the balance of international payments of many countries. Some of the important wheat-importing countries had for years had difficulty in getting a sufficient export market for their products to pay for their imports of foodstuffs and raw materials. They were consequently faced with the need of either increasing their exports or decreasing their imports. Owing partly to high tariffs of other countries, it was very difficult for them to increase their exports of manufactured products, and they resorted to methods of reducing imports. These included attempts to increase their production of commodities of the kinds imported, and also direct restrictions of importations through high tariffs and other means. Since wheat was both a prime necessity and one of the most important items in their balance of payments, the importing countries were quick to turn their attention to attempts to decrease their wheat imports and increase their wheat production.

After 1929 the need for improving or safeguarding balances of payments became more imperative and helped to further the movement for more drastic import restrictions. Furthermore, some important wheat-exporting countries were likewise faced with adverse balances of payments, and these countries turned to measures designed to increase their exports of wheat in order that their foreign trade balances might benefit. Thus, in the process of the readjustment of the balances of payments, the wheat market suffered **greatly**. Most importing countries tried to reduce imports, and some of the exporting countries to increase exports.

To a considerable degree, however, legislation affecting wheat has been the result of attempts by the various countries to maintain the prices received by their wheat producers. World wheat prices declined rather sharply in the summer of 1928. This decline of prices was largely the result of high yields in that year, but was augmented by the increase of acreage which had been underway for some years and by the effect of tariffs upon prices and consumption. The low prices of that year, as well as subsequent declines, helped to bring on an intensification of wheat trade barriers, indicating that price stabilization or price improvement itself was often the purpose of the trade barriers. In many countries wheat is regarded as occupying a key position in agricultural prosperity. Hence it is especially likely to be the subject of measures the purpose of which is to stabilize or raise its price at a time when prices are falling rapidly. Since wheat is produced and sold by a large proportion of farmers in all parts of the world, such measures received general approval by the agricultural classes.

Though the effect of a measure or system of measures, adopted in any particular country, may have been to improve prices or otherwise to aid wheat growers within that country, the effect upon prices and growers in other countries has been adverse. In almost every case the effect is in some degree to increase production or reduce consumption within the country applying it.

On the whole, the exporting countries have fared worst in the struggle for higher returns to wheat growers. In them, wheat growing occupies a position of relatively great importance, and yet they are at a particular disadvantage in attempting to improve the returns of their wheat growers. Merely raising prices in an exporting country will shut off the outlet for its surplus production and result in accumulating stocks unless some sort of measure for exporting at a lower price is applied.

In an importing country, on the other hand, the mere restriction of imports, whether by tariffs, quotas, or import monopolies, raises prices. Furthermore, import restrictions may be applied which, instead of requiring to be financed, yield additional revenue. This has made it easy for the importing countries to adopt import restrictions or other price-enhancing measures. Hence, whatever the effects upon other industries in the wheat-importing countries, their wheat growers have usually fared well if the restrictions applied have been drastic enough to do more than counterbalance the adverse effects upon world markets of the measures adopted by all the other countries of the world.

MEASURES RESTRICTING TRADE AND OTHERWISE AFFECTING WORLD WHEAT PRICES

The measures adopted by the various countries have differed widely. These differences have been due partly to the varying proportions which exist between the quantities of wheat produced and consumed by the several countries. Thus, in exporting countries, export bounties and export dumping plans have been put into operation, and bargaining tariffs have been arranged which provide for special preferences to be given their wheat by importing countries. In the importing countries, on the other hand, the principal reliance

has been placed on import restrictions, including tariffs, import and milling quotas, control and allotment of foreign exchange, and license and monopoly systems. Certain other forms of governmental aid, such as direct subsidies, price fixing, and measures to lower costs, have been adopted in both exporting and importing countries.

Finally, what is commonly called "currency depreciation" has, in view of the decline of prices in terms of gold, resulted in less of an increase in the value of currency as compared with commodities. Consequently wheat prices in those countries are higher than they would be if the value of their currency in foreign exchange had not depreciated—higher, that is, in terms of currency; and it is in terms of currency that debts have been contracted. Furthermore, in those countries where "currency depreciation" has taken place, there tends to be less disparity between wheat prices and prices of goods farmers buy than in the United States, which until recently remained on the gold standard. The world-wide prevalence of import restrictions, export aids, and exchange control and depreciation is indicated by tables 11 and 12.

TABLE 11.—Wheat and flour—import restrictions and other measures, February 1933

Country	Domestic disappearance ¹	Production, 1930-32	Tariff duties ²		Milling quota (domestic)	Licenses and monopolies	Foreign exchange (February average)	Other measures
			Wheat	Flour				
United Kingdom. Germany-----	1,000 bushels 257,700	1,000 bushels 41,000	Cents per bushel 4.3 current (par, 6) on non-Empire. 162, durum 113-----	Cents per 100 pounds 10 percent on non-Empire. 466-----	Percent -----	-----	Depreciated about 30 percent. Alloted 50 percent of 1931.	Empire preference treaties; domestic production subsidized. Price stabilization; exchange plan, relief by loans, reduced interest, etc.
	181,551	160,000	Minimum (U.S.) 85, maximum 171.	227 to 329-----	97 basic, 2½ admixture potato flour. 100 (Mar. 26)-----	Import license-----	Exchange surtaxes (mostly 15 percent).	Storage subsidy for price stabilization; trade treaties with Danube wheat countries.
	295,933	247,000	107-----	268-----	95 (Mar. 16)-----	-----	-----	“Battle of wheat” campaign; storage subsidy; agricultural loans.
Italy-----	278,746	244,000	Free-----	Free-----	35-----	Import permit-----	-----	Fixed prices (average for 1932-33 \$1.32). New areas subsidized.
Netherlands-----	36,454	8,700	do-----	5, sales tax 2 percent. Free-----	10-----	do-----	Depreciated 43 percent.	Temporary leniency in tax and interest collection.
Belgium-----	55,909	13,700	do-----	53-----	95 wheat, 97 rye-----	Import monopoly-----	Depreciated 32 percent.	Export certificates; fixed prices for surplus June 1, 1933.
Denmark-----	20,207	10,400	Free-----	Free-----	-----	Complete monopoly of trade. Import monopoly; licensing, with prohibition contingent on domestic price.	Depreciated 35 percent.	Bounty to producers for grain used, also fixed prices.
Sweden-----	22,307	21,600	Variable, to maintain minimum domestic price.	-----	-----	Import certificates Grain Syndicate. Monopoly-----	Depreciated 57 percent.	Minimum price; wheat growing considered public utility.
Norway-----	7,950	700	-----	-----	-----	-----	Controlled-----	Compensation agreements and import contingents; price stabilization by syndicate.
Spain-----	126,660	154,000	44-----	195-----	5 admixture potato flour. -----	-----	Controlled, also depreciated about 57 percent.	Price stabilization by monopoly, loans, production and marketing aids.
Czechoslovakia	61,593	48,500	24-----	72-----	25 (October-April) current milling requirements.	-----	-----	-----
Greece-----	29,682	13,400	61-----	234-----	-----	Import license-----	Rigid control-----	Trade treaties; sowing premiums.
Austria-----	26,434	11,400	Free-----	30-----	-----	Import permit-----	Depreciated 30 percent.	Price fixing and acreage expansion proposed.
Irish Free State	19,705	1,200	-----	-----	-----	Complete monopoly.	do-----	Minimum prices, production bounties and loans.
Portugal-----	-----	15,000	Fixed at time when imports are permitted.	-----	20 admixture rye and corn.	Licenses and fixed quota. Monopoly-----	-----	Minimum price about \$2 a bushel; State storage reserves.
Switzerland-----	21,097	4,000	3-----	39 (free under permit). 214-----	-----	-----	-----	Minimum prices, trade treaties, loans.
Latvia-----	4,308	4,200	37-----	409-----	-----	-----	Controlled-----	Minimum prices, treaties, agrarian reform.
Lithuania-----	5,846	8,700	83-----	-----	-----	-----	-----	-----

Finland-----	6, 273	1, 200	50-----	135-225 ⁴ -----	-----	Export certificate-----	Depreciated percent. Controlled-----	41	Partial moratoria, credit aid.
Estonia-----	2, 014	1, 700	80-----	220-353 ⁴ -----	-----	Monopoly-----	-----	-----	Minimum prices, treaties, credit, and mortgage aid.
Egypt-----	45, 912	3 40, 766	66-108 ⁵ -----	124-193 ⁵ -----	-----	-----	Depreciated percent.	30	Marketing aids, cotton area limited 1931-32.
China-----	905, 239	3 940, 832	Free-----	Free-----	-----	-----	Depreciated from 1930.	half	Flour tax 2 cents a bag, wheat credit purchase United States.
Japan-----	44, 662	31, 000	24¢-----	68¢-----	-----	-----	Depreciated about 60 percent.	-----	Governmental control of rice trade pro- posed relief; new 5-year production plan.
Brazil-----	37, 683	5 5, 100	13-----	53-----	-----	Exchange permits-----	Depreciated about 36 percent.	-----	Debt moratoria; embargo on flour August 1931 to February 1933.
Cuba-----	-----	-----	8.7-----	41-----	10 yucca flour-----	-----	-----	-----	Consumption tax on flour, as applied to U.S., of 35 cents per 100 lbs.
Union of South Africa-----	12, 636	3 8, 126	Difference cost and fixed price.	-----	1-----	Import license-----	Depreciated about 30 percent.	-----	Minimum price \$1.64; preferential treaty with Canada.
Turkey-----	-----	90, 000	82-----	202-----	-----	Flour embargo-----	Depreciated-----	-----	Credit aids; consumption tax.

¹ Wheat retained in country for all purposes except seed, average 1926-27 to 1930-31.

² At current exchange rates in case currency is depreciated.

³ Average, 1926-31.

⁴ Unsifted and sifted flour, respectively.

⁵ Sliding scale.

TABLE 12.—*Wheat, export and production aids, 1932*

Country	Domestic needs including seed	Production, 1926-30	Export subsidies	Bargaining tariffs
	<i>1,000 bushels</i>	<i>1,000 bushels</i>		
Australia.....	59, 479	155, 824	-----	Empire preference.
Canada.....	139, 531	435, 744	-----	Do.
India.....	333, 635	332, 416	-----	Do.
Bulgaria.....	41, 975	43, 666	Dual prices and export monopoly, 1931-32.	Clearing agreements.
Hungary.....	58, 722	82, 075	12 cents a bushel export premium July-October, 1931; dual price and export monopoly, 1931-32.	Clearing agreements and treaties.
Rumania.....	103, 147	110, 737	16 cents a bushel export premium August 1931 to April 1932.	Preference treaty with France; compensation agreements.
Yugoslavia.....	71, 829	81, 323	High fixed domestic prices, 1931-32; and import monopoly, 1931-33.	Preference treaty with France, Austria, and Czechoslovakia.
Argentina.....	88, 203	251, 257	-----	-----
Russia.....	803, 194	837, 690	-----	Preference treaties with Baltic States.
Poland.....	67, 134	64, 197	Import certificates 18 cents a bushel on wheat, 46-51 cents on flour per 100 pounds.	Negotiating treaties.

Country	Foreign exchange (February average)	Lowered costs	Other aids
Australia.....	Depreciated 44 per cent.	Fertilizer aid.....	Financing wheat pools; production bounty 1931 limited; bonus 1932.
Canada.....	Depreciated 16 per cent.	Proposed reduction freight charges.	Guarantee bank loans to wheat pools; production bonus 1931-32.
India.....	Depreciated about 30 percent.	-----	Reclamation aid; import duty of 39 cents a bushel at par on wheat.
Bulgaria.....	Controlled.....	Reduced freight to Italy; tax concessions.	Stabilization purchases at low levels; seed loans; consumption tax.
Hungary.....	do.....	Remitted taxes.....	Seed loans; temporary embargo on exports, fall 1932.
Rumania.....	do.....	Temporary debt moratoria.	Seed loans; bread consumption tax; increased duties; domestic mixing and substitution of corn and barley for wheat.
Yugoslavia.....	Controlled, depreciated about 23 per cent.	Reduced freight charges; tax concessions.	Seed loans; increased duties.
Argentina.....	Controlled and depreciated about 40 per cent.	-----	Harvest and marketing loans; elevator construction; marketing supervision.
Russia.....	Controlled.....	-----	Almost complete monopoly of trade, business, agriculture, transportation; tax abatements.
Poland.....	-----	Tax relief.....	Export cartels; loans; export taxes; standardization.

¹ Balance retained within country, average 1926-27 to 1930-31.

At present only a half-dozen countries of the world allow duty-free imports of wheat and still fewer permit free imports of flour. The tariffs affecting United States wheat range from about 3 cents per bushel in Switzerland to \$1.62 in Germany, while even higher rates are recorded in some countries with a dual rate schedule.

The milling quotas and mixing regulations operative in about a dozen countries appear to have played a very important part in restricting the normal flow of trade in wheat and flour. Not only do they ensure complete utilization of domestic wheat, which is

inferior for bread making, but by so doing they help maintain or even increase production of such wheat. They tend to limit imports to the strongest foreign wheats in order to produce as nearly as possible a satisfactory milling mixture when blended with the weak domestic wheat. Despite this blending the quality of bread suffers in many cases, thus tending to reduce the amount consumed. Some elasticity in the importation of special foreign wheat types is afforded in some countries by changing the percentages of the milling quotas from time to time during the season, depending on domestic supplies, or by using the import certificate system which enables foreign wheat to enter duty free or at reduced rates for like amounts of domestic wheat exported. This is the principle involved in the so-called "wheat exchange plan" in Germany.

A definite centralization of import agencies or facilities has been effected in a great many countries as a further method of control. In some cases the method or policy appears to be a temporary one as a matter of expediency in preventing depreciation of the country's foreign exchange during the depression; in others and more generally there is a policy of more permanent state control. Requiring permits from the government or from an agency working with the government in order to import or obtain foreign exchange to finance imports enables a definite control of imports. In Germany exchange permits are allotted monthly, and the imports allowed are less by a certain percent than the imports during the corresponding period of last year. In most countries wheat and flour, however, have not been subjected to as drastic exchange permit control as have many other imports.

Further steps taken by several countries attempting control have been the formation of specific organizations, as state import monopolies or quasi-official monopolies with sole authority to import. Complete monopoly of both the import and domestic grain trade is not altogether uncommon. Though monopolies present a very formidable type of trade barrier, they do not appear to have necessarily curtailed imports more than other types, and in some cases they have even facilitated import purchases. On the other hand, virtual embargoes on wheat and flour imports have been effected through such monopolies. In some instances where state control or close supervision is exercised, wheat growing is looked upon as a public utility—a matter of national welfare and so the concern of the state.

The most important export aids, in addition to bargaining treaties, are definite export bounties or premiums and dumping schemes. Export bounties, however, are not very prevalent on account of stringent credit and financial conditions in most countries. Both Rumania and Hungary used this form of aid during part of the 1931–32 season, but have discontinued it. In Poland it has played a limited role with respect to wheat, but Poland has not had a large export surplus, and the 1932 crop was materially reduced by rust damage. Import certificates may be considered a form of export bounty, since they tend to increase a country's exports, but they do

not increase net exports and hence are not applicable in countries with an export balance unless they provide for the free importation of some other commodity. They sometimes enable exports to be made from surplus regions of a country to adjoining countries, and imports into the deficit areas at less cost than domestic transportation might entail, but they have been especially important in permitting imports of strong foreign wheats for blending with domestic wheat.

Wheat export-dumping schemes have been used primarily in the Danube countries. They have varied in details but generally involve a dual price structure. Domestic prices have been maintained considerably above world prices, while exports are made at regular market prices. In some cases the difference or loss has been met by special forms of taxes or credit and in other cases by appropriations from the general revenues of the Government. For the most part, the few remaining export-dumping plans for wheat are of a less ambitious nature for the 1932-33 season, partly as a result of reduced crops but mostly on account of stringent financial conditions.

A multitude of other measures have been adopted in both importing and exporting countries in behalf of wheat producers during recent years. These have included production bonuses and minimum prices, credit extensions, reduced or remitted taxes, and reduced freight rates. Numerous countries, primarily deficit areas, have adopted price stabilization and control measures and now maintain their level of wheat prices as high as \$1 a bushel or more. Direct production bounties or bonuses of 5 cents or more a bushel were paid on wheat marketed during the 1931-32 season in the great surplus areas of Canada and Australia. Agricultural credit aids and loans have been particularly common forms of assistance, while tax and other debt obligations have received special consideration in some countries. Marketing, especially cooperative marketing, has been aided notably by loans and storage subsidies to prevent seasonal dumping after harvest and to encourage improved sales methods and standards of quality.

EFFECT OF CONTROL MEASURES ON PRICES IN COUNTRIES APPLYING THEM

The effect of the measures which have been adopted by the various countries upon the prices in each of them can be measured fairly well by merely comparing their prices with prices in a country where trade has been free. Under conditions of freedom of trade in wheat, prices of a given quality in all parts of the world would be substantially the same except for differences due to costs of transportation from one market to another. Of course, whenever one country shifts from a surplus to a domestic basis, or from a surplus to a deficit basis, this involves a change in the price margin. Most countries, however, are fairly regular exporters or fairly regular importers of wheat. While there are changes from year to year in the amounts of wheat exported and imported by the several countries, these do not ordinarily greatly affect the price margins. A more significant cause of differences in prices between different markets, under con-

ditions of complete freedom of trade, would be the variations in the cost of shipment from one market to another. Though there have been rather large variations in ocean freight rates during the past 10 years, these changes have not been at all great compared with the changes in the price margins between some of the most important world markets. Indeed, under conditions of freedom of trade, all the factors affecting the margins between prices in most of the important world markets would have caused relatively little variation as compared with changes in margins which have occurred between some of the most important wheat producing and consuming countries during the past 10 years.

Throughout the entire period and prior to the autumn of 1932 foreign wheat in the United Kingdom was not subject to any tariff or other direct restrictions. Consequently, except insofar as the restrictions of other countries had an indirect effect upon them, prices in the principal markets of the United Kingdom were unaffected by restrictions. Because of this, prices in the United Kingdom, when converted to a gold basis, may be used as a convenient "bench mark" from which to compare prices in other countries. Thus wheat prices at Liverpool or other markets of the United Kingdom may be compared with prices at Berlin, Paris, Milan, Chicago, Buenos Aires, Sydney, Budapest, and other importing and exporting markets. Whenever any important price-influencing measure has been in effect in one of these other countries its influence will ordinarily be seen upon the differential between prices in the markets of that country and of Great Britain. It will consequently be convenient to refer to prices in the United Kingdom as "world" market prices, and to judge the effect of the price-control measure in each of the other countries by comparing them with these "world" market prices.

EFFECT IN EXPORTING COUNTRIES

In most of the exporting countries wheat prices have not varied greatly from their normal differential with prices in Great Britain if all prices are converted to terms of United States money, or otherwise converted to a common basis. This is shown by table 13, which compares prices of imported wheat in Great Britain with prices in the United States and four other important exporting countries—Canada, Argentina, Australia, and Hungary. These exporting countries are the five largest wheat exporters of the world, except that in the last few years Russia has risen to fifth place and Hungary has fallen to sixth. The wheat trade of Russia, of course, is carried on largely through procurings of the Soviet Government in such a manner that market prices, even if they are available, have very little significance in indicating the returns which farmers receive for their wheat. However, the prices that Russia has received for its exports to other parts of the world have followed the same general course as prices received by other exporting countries.

TABLE 13.—*Wheat prices per bushel in important exporting countries compared with price of imported wheat in Great Britain*

Year beginning July 1	No. 2 Hard Winter, Kansas City ¹	Great Britain, imported parcels	Canada, No. 3, Man- itoba Northern, Winnipeg	Argentina, Buenos Aires	Australia, Sydney	Hungary, Budapest
Actual prices:	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1921-22.....	120	148	119	126	140	-----
1922-23.....	113	136	106	120	-----	-----
1923-24.....	107	121	92	104	106	94
1924-25.....	150	179	157	156	146	180
1925-26.....	162	170	143	143	147	151
1926-27.....	136	164	135	128	141	151
1927-28.....	138	154	133	130	132	151
1928-29.....	111	129	113	108	114	122
1929-30.....	113	131	123	110	119	107
1930-31.....	73	80	62	59	56	74
1931-32.....	50	59	47	44	44	55
Spread (amount below British parcels):						
1921-22.....	28	0	29	22	8	-----
1922-23.....	23	0	30	16	-----	-----
1923-24.....	14	0	29	17	15	27
1924-25.....	29	0	20	23	33	² 1
1925-26.....	8	0	27	27	23	19
1926-27.....	28	0	29	36	23	13
1927-28.....	16	0	21	24	22	3
1928-29.....	18	0	16	21	15	7
1929-30.....	18	0	8	21	12	24
1930-31.....	7	0	18	21	24	6
1931-32.....	9	0	12	15	15	4

¹ Represents, not seasonal weighted average, but a simple average of weekly weighted average prices in order to be comparable with other series which are unweighted averages.

² In 1924-25 the Hungarian prices averaged 1 cent per bushel above imported parcels at Great Britain.

From table 13 it is evident that during the past 10 years wheat prices in these exporting countries have followed courses which are almost parallel. There have been year-to-year variations as between the various countries, but these were mostly due to variations in the size of crops of the respective countries and to differences in the types of wheat represented by the quotations. Thus, in 1924-25, Hungarian prices were higher than those of the other exporting countries because of Hungary's short crop, while in 1925-26 prices in the United States were unusually high as compared with the other exporting countries because of our very short crop of winter wheat harvested in that year.

In some cases, however, the price differences between countries were significantly affected by governmental intervention. The Hungarian price was maintained at an abnormally high level by stabilization purchases and export sales of a government-controlled organization, the "Futura" (Hungarian Cooperative Unions Trading Co.), in 1930-31, while during part of 1931-32 an export bounty was in effect. In 1930-31 United States prices were supported by the operations of the Grain Stabilization Corporation.

In a general way the course of prices of wheat at Budapest, Hungary, is fairly typical of the course which open-market prices have followed in the other exporting countries of the Danube Basin. Thus in 1931-32 the price of wheat at Varna and Bourgas, Bulgaria, averaged 45 cents per bushel; at Braila, Rumania, it averaged 49 cents. In Yugoslavia, however, the grain trade was under monopolistic control of the Privileged Export Co., and no open-market prices prevailed during most of 1931-32.

In the United States, Canada, Argentina, and Australia the prices received by farmers have been approximately equal to the market prices given in table 13, minus marketing expenses. The only important exception to this was in 1931-32 when the wheat growers of the Prairie Provinces of Canada were given a 5 cent per bushel bonus and those in Australia a bounty of 4½ pence (9 cents at par of exchange and about 5 cents at exchange rates then current). In three out of the four exporting countries of the Danube Basin, however, prices received by producers were maintained at much higher levels than would have prevailed without governmental assistance.

In Hungary growers received "grain tickets" in both 1930-31 and 1931-32. The 1930-31 grain tickets were the equivalent of 14 cents per bushel, but could be used only for payment of taxes if the wheat grower's taxes had not been paid, while in 1931-32 the grain tickets were worth 29 cents per bushel, half the face value of which was redeemable in cash, while the other half was good for taxes only, unless the grower had already paid all taxes due. In Bulgaria, during the latter part of the 1930-31 season the central grain purchasing bureau of the Government paid to producers a fixed price of 78 cents per bushel, and in 1931-32 a fixed price of 67 cents per bushel. In both countries these prices were well above prices available in the open market. In Yugoslavia, subsidized exports by the Privileged Export Co. resulted in maintaining prices well above the world market parity in 1930-31, while a combination of subsidized exports and a complete monopoly of the grain trade during a part of the 1931-32 season resulted in higher than world market prices prevailing during that season also. During much of 1931-32 prices were fixed, growers receiving from 74 to 87 cents per bushel, whereas the price to mills was from 108 to 120 cents, depending on the quality of the wheat. Wheat was exported at prices of around 45 to 50 cents per bushel. In Rumania, on the other hand, wheat prices received by growers appear to have been relatively little influenced by governmental action in spite of the payment of an export premium at 16 cents per bushel during most of the 1931-32 crop year. It appears that prices received by producers in the Danube Basin as a whole during the two seasons 1930-31 and 1931-32 averaged at least 20 cents per bushel higher than they would have without governmental aid. As indicated above, however, wheat growers in Rumania received but little benefit during those seasons, the most governmental aid having been given in Bulgaria, Yugoslavia, and Hungary.

A more detailed account of the operation of subsidies to growers and of export aids in the countries of the Danube Basin is given in the appendix.

In Argentina and Australia, and to a lesser extent in Canada, the depreciation of exchange has been a significant factor in preventing wheat prices in terms of currency from declining as much as they would have declined had the countries remained on a gold standard. This is indicated by a comparison of prices in terms of the currency of the several countries and in terms of United States currency for the months of January 1929 and January 1933. (Table 14.)

TABLE 14.—Wheat prices in selected countries in their currencies and measures and in terms of United States cents per bushel at current exchanges rates

	January 1929	January 1933	Percent January 1933 is of January 1929
United States, No. 2 Hard Winter, at Kansas City: In United States cents per bushel.....	114.5	43.6	38.1
Great Britain, imported parcels, at Liverpool:			
Shillings and pence per quarter.....	42/11.4	23/10.7	55.6
United States cents per bushel.....	130.6	50.2	38.4
Canada, No. 3 Manitoba Northern, at Winnipeg:			
Canadian cents per bushel.....	112.4	40.0	35.6
United States cents per bushel.....	112.1	35.0	31.2
Argentina, Buenos Aires Type, at Buenos Aires:			
Argentine pesos per metric quintal.....	9.5	(5.08)	53.7
United States cents per bushel.....	108.5	(35.6)	32.8
Australia white milling wheat at Sydney:			
Australian shillings and pence per bushel.....	4/7.3	(2/9.1)	-----
United States cents per bushel.....	112.1	36.9	32.9

We find, then, that in the principal exporting countries other than the United States, the decline of wheat prices has been considerably relieved (as far as its effect upon the farmer is concerned) either by special-aid measures as in Hungary and other Danubian countries or by depreciated exchange as in Canada, Argentina, and Australia. Nevertheless, the decline of prices in terms of gold has been so great that in spite of depreciated currencies and governmental aid, there has been no general acreage expansion since 1929-30 except in the Danubian countries and in Russia. Governmental aid to wheat growers and currency depreciation in the exporting countries may, however, have reduced the tendency for acreage contraction. But even if the wheat growers of these countries had borne the full effect of the decline of wheat prices in terms of gold the acreage probably would not have declined greatly, for in a time of severe depression wheat growers have no profitable alternatives to which they can turn.

It is, however, significant to note from table 15 that the United States is the only country which has materially reduced acreage since 1929.

TABLE 15.—Wheat acreage in specified countries, 1921-22 to 1932-33 ¹

Crop year	United States	Canada		Argentina ³	Australia	Europe, excluding Russia		Russia
		Old series	New series ²			Lower Danube	Other	
	Million acres	Million acres	Million acres	Million acres	Million acres	Million acres	Million acres	Million acres
1921-22.....	64.6	23.3	-----	14.2	9.7	15.0	49.2	38.4
1922-23.....	61.4	22.4	-----	16.3	9.8	16.1	49.1	22.3
1923-24.....	56.9	21.9	-----	17.2	9.5	16.2	49.9	39.2
1924-25.....	52.5	22.1	-----	17.8	10.8	18.1	49.3	52.7
1925-26.....	52.4	20.8	-----	19.2	10.2	18.5	50.8	63.1
1926-27.....	56.8	22.9	-----	19.3	11.7	18.7	51.3	73.9
1927-28.....	59.6	22.5	-----	20.7	12.3	18.9	52.4	77.4
1928-29.....	59.3	24.1	-----	22.8	14.8	19.6	51.8	68.5
1929-30.....	62.7	25.3	-----	20.5	15.0	18.4	51.7	73.5
1930-31 ⁴	61.1	24.9	⁵ 25.7	21.3	18.2	20.0	53.7	80.5
1931-32 ⁴	55.3	-----	26.2	17.3	14.7	20.9	55.0	92.1
1932-33 ⁴	55.2	-----	27.2	19.8	15.6	18.8	56.1	88.7

¹ Data refer to area harvested except in case of Argentina for which the area sown is given.

² Revised on basis of 1931 census.

⁴ Preliminary.

³ Area sown.

⁵ Estimated from revised figures for the Prairie Provinces.

In 1932 the area harvested was only 55,200,000 acres, compared with 62,700,000 harvested in 1929. Although the 1932 acreage in the United States was affected by heavy abandonment of winter wheat, there has been a marked decline in the area planted. The total area of wheat sown for harvest in 1929 amounted to 66,500,000 acres, while in 1932 it was only 63,100,000 acres, whereas for 1933 the area is indicated to be about 60,900,000 acres. The peak of the wheat area sown in the United States was reached in 1928 with a total of 70,700,000 acres.

In Canada there appears to have been a slight increase in acreage since 1929–30, though comparison is made difficult because of a revision in the basis of estimating acreage when the results of the census became available in 1931. The 1932 area of 27,200,000 acres appears to have been abnormally large, because weather conditions were especially favorable at planting time. The wheat area of Argentina has shown a slight downward tendency, but the change has been small compared with the year-to-year fluctuations. In Australia, save for the abnormally large wheat area in 1930–31, there has been no significant change in the level of acreage since 1928–29. The 1930–31 area was unusually large because of a campaign to increase the production and exportable surplus of wheat in the hope that this would improve Australia's foreign-exchange position.

In Europe there has been a very marked increase in the wheat area since 1929, especially in the wheat-importing countries. In 1929 the wheat area of the four exporting countries of the lower Danube Basin amounted to 18,400,000 acres, and by 1931 it had risen to 20,900,000. The acreage of 1932 was smaller, not because of a shifting to other crops but because weather conditions were very unfavorable. In the remainder of Europe, excluding Russia, the wheat area has risen from 51,700,000 acres in 1929–30 to 56,100,000 acres in 1932.

EFFECT IN IMPORTING COUNTRIES

In the importing countries of Europe wheat prices and returns to wheat growers have been much more affected by governmental intervention than has been the case in the exporting countries. In several countries prices during the 1931–32 season were about three times as high as were prices at Liverpool—the result largely of very stringent restrictions upon the importation, sale, and milling of foreign wheats and upon the importation and sale of flour from foreign countries. Almost all of the wheat-importing countries of Europe except the United Kingdom have drastic restrictions on the use of foreign wheat and flour and maintain relatively high prices for their domestic wheat. In the United Kingdom, though the market price of domestic wheat is not artificially maintained, a large bounty was provided for, beginning with the 1932 harvest.

While it is not feasible to take up each of the many small deficit countries of Europe to study the effect of these measures on prices, it is nevertheless possible to get a rather comprehensive view of the situation. About two thirds of the wheat used in Europe (exclusive of Russia) for purposes other than seed is consumed in five countries—France, Italy, the United Kingdom, Germany, and Spain. Their apparent consumption and net imports in the 5 years 1926–27 to 1930–31 averaged as follows:

Countries	Apparent consumption excluding use for seed	Net imports
	<i>Bushels</i>	<i>Bushels</i>
France.....	296,000,000	54,000,000
Italy.....	279,000,000	78,000,000
United Kingdom.....	258,000,000	211,000,000
Germany.....	182,000,000	69,000,000
Spain.....	127,000,000	6,000,000
Total.....	1,142,000,000	418,000,000

The wheat consumption of these five countries amounted to about 75 percent of the consumption of all the wheat-importing countries of Europe (all countries except Russia, Hungary, Yugoslavia, Rumania and Bulgaria). Wheat prices in these countries consequently affect the major part of the wheat consumed in Europe. Spain imports almost no wheat and the net imports of the other four amounted to 68 percent of the net imports of all the importing countries of Europe.

1. *Effect on price.*—Representative prices of domestic wheat in the five countries, together with prices of imported wheat in Great Britain and the price of hard winter wheat at Kansas City, are shown in table 16. It will be seen from the first section of this table (table 16) that Great Britain is the only one of the five importing countries shown in which prices have not been maintained far above those of the exporting countries since the 1929–30 season.

TABLE 16.—*Wheat: Price per bushel of domestic wheat in important importing countries and the United States compared with the price of imported wheat in Great Britain*

Year beginning July ¹	No. 2 hard winter Kansas City ¹	Great Britain		Germany domestic at Berlin	France domestic at Paris	Italy non-durum at Milan	Spain
		Imported parcels	Domestic				
Actual prices:	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1921-22.....	120	148	140	115	171	152	184
1922-23.....	113	136	125	109	166	146	185
1923-24.....	107	121	120	106	139	117	152
1924-25.....	150	179	158	150	174	181	186
1925-26.....	162	170	155	161	152	205	196
1926-27.....	136	164	158	178	185	208	217
1927-28.....	138	154	139	162	173	191	233
1928-29.....	111	129	128	142	169	188	220
1929-30.....	113	131	122	162	145	188	179
1930-31.....	73	80	83	171	183	161	134
1931-32.....	50	59	63	152	174	148	114
Spread (amount above or below British parcels ²):							
1921-22.....	-28	0	-8	-33	23	4	36
1922-23.....	-23	0	-11	-27	30	10	49
1923-24.....	-14	0	-1	-15	18	-4	31
1924-25.....	-29	0	-21	-29	-5	2	7
1925-26.....	-8	0	-15	-9	-18	35	26
1926-27.....	-28	0	-6	14	21	44	53
1927-28.....	-16	0	-15	8	19	37	79
1928-29.....	-18	0	-1	13	40	59	91
1929-30.....	-18	0	-9	31	14	57	48
1930-31.....	-7	0	3	91	103	81	54
1931-32.....	-9	0	4	93	115	89	55

¹ Represents, not seasonal weighted average, but a simple average of weekly weighted average prices in order to be comparable with other series which are unweighted averages.

² A minus sign (—) indicates a price below that of British parcels.

In the 4 years 1921-22 to 1924-25, inclusive, the crop-year average price at Berlin was 26 cents per bushel below the British parcels price, while the Paris price was 16 cents above, and the Milan price 3 cents above.

In the case of Berlin and Milan, these differences may be considered to be approximately the normal to be expected under conditions of free trade, for neither Germany nor Italy had a tariff during that period. France, however, had a tariff of 14 francs per 100 kilograms during the period, and this, converted at the current monthly exchange rates, averaged 25 cents per bushel. It consequently appears, since France was a large importer of wheat during each of these years, that if France had had no tariff the price of domestic wheat at Paris might have averaged close to 10 cents per bushel lower than the price of imported wheat in Great Britain. In 1925, France had a very large crop with the result that prices for its domestic grown

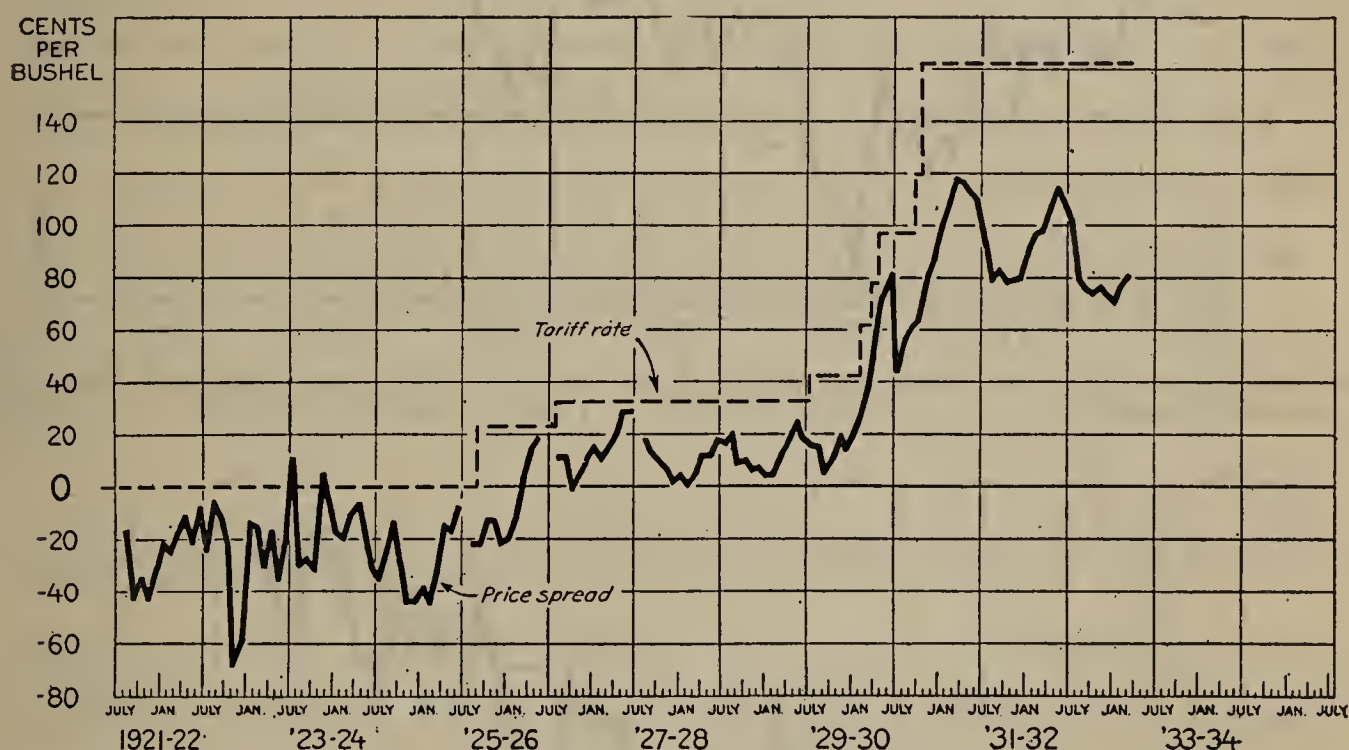


FIGURE 7.—WHEAT: SPREAD BETWEEN PRICES AT BERLIN AND BRITISH PARCELS PRICES COMPARED WITH GERMAN WHEAT TARIFF RATES, 1921-22 TO DATE.

wheat (a soft wheat) were perhaps a little lower relative to average prices of imported wheat in Great Britain than they would ordinarily have been without a tariff. No clear evidence is available as to what the price in Spain would have been under freedom of trade, for Spanish import restrictions are of long standing. Furthermore, Spain does not regularly import wheat, but is at times an exporter.

The spreads between the average price of wheat in the various countries and the price of imported parcels in Great Britain are shown in the second section of table 16 year by year. The very marked rise of prices in Germany, France, and Italy relative to world-market prices is especially significant because of the dominant place which these countries and Great Britain occupy in the import trade. It is also significant that beginning with the crop of 1932 Great Britain has guaranteed a return to wheat producers equal to a price of 10 shillings per hundredweight, which is the equivalent of about \$1.30 per bushel at the par of exchange and about \$1.05 per bushel at the exchange rate of May 1933.

In the case of each of the three countries which are large importers and which have had high tariffs in recent years, the increasing spread since 1924-25 has accompanied an increasing tariff level. This is shown by figures 7, 8, and 9.

The fact that the price spreads closely follow changes in the tariff rates should not, however, be taken to indicate that the tariffs are necessarily the prime factors influencing the amount of the spreads. In case of each of the three countries the effectiveness of the tariff has been augmented or modified by other measures which are also of prime importance. All three countries have applied milling

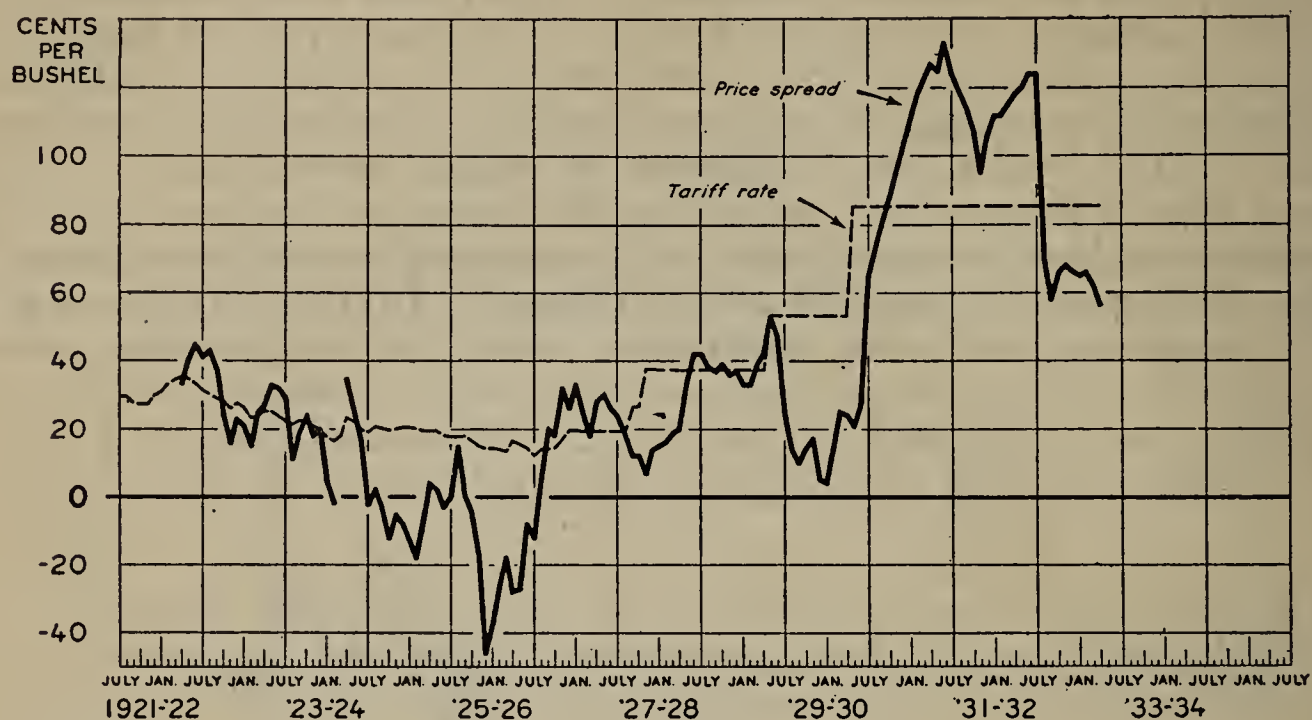


FIGURE 8.—WHEAT: SPREAD BETWEEN PRICES AT PARIS AND BRITISH PARCELS PRICES COMPARED WITH FRENCH WHEAT TARIFF RATES, 1921-22 TO DATE.

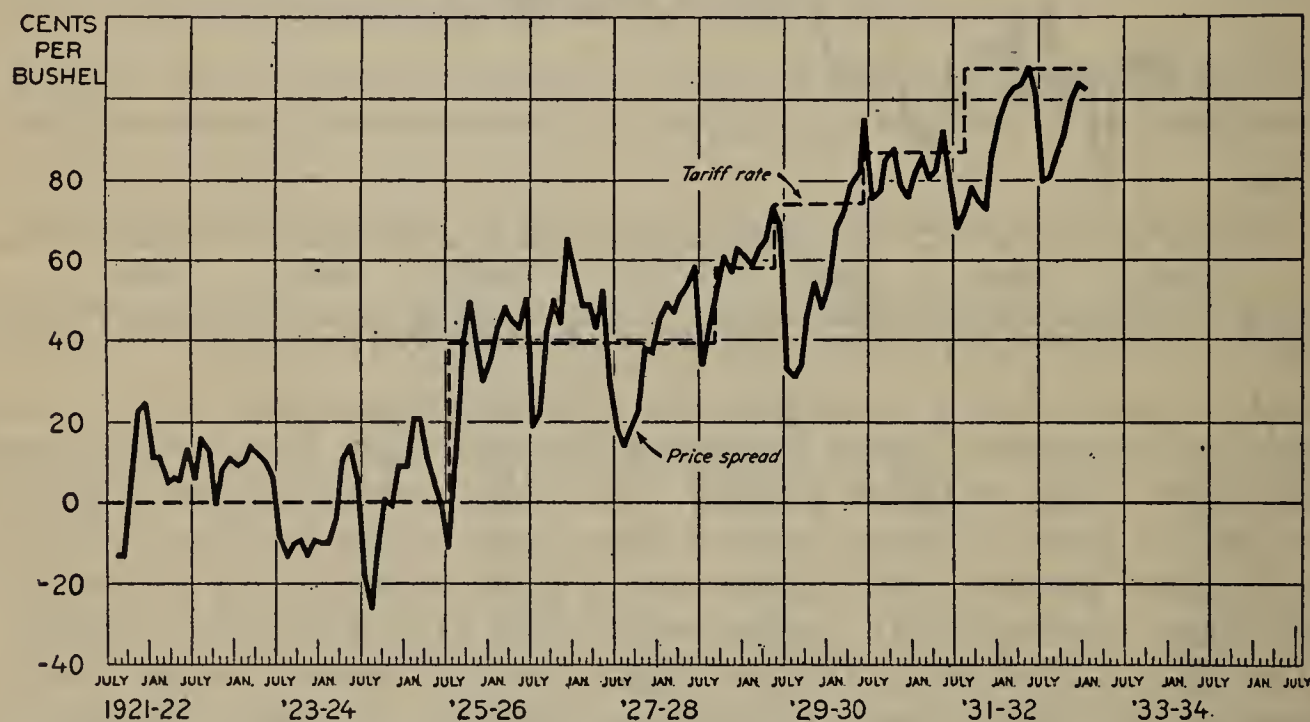


FIGURE 9.—WHEAT: SPREAD BETWEEN PRICES AT MILAN AND BRITISH PARCELS PRICES COMPARED WITH ITALIAN WHEAT TARIFF RATES, 1921-22 TO DATE.

quotas requiring the use of a large percentage of domestic wheat. In addition, Germany has promulgated baking regulations, provided a system for allotting a very restricted amount of foreign exchange to importers of wheat and other commodities, and has modified the duty through the operation of an import certificate plan and a "wheat exchange plan." France allows importation of wheat and flour only under license and in addition has applied import quotas or contingents.

Using the spreads which were arrived at above as the approximate "normal" spreads to be expected under conditions of free

importation, it is possible to arrive at a rough estimate of the extent to which tariffs and other price-raising measures have increased the price of wheat in these countries. Table 17 shows year by year how much the Berlin, Paris, and Milan prices were above or below their "normal" relationship to the world market. No particular significance is to be attached to the minor year-to-year variations of these price spreads, for they are largely the result of changes in the relative abundance or scarcity of wheat of particular sorts or in particular regions or else of changes in quality. The upward trend of prices in all three countries relative to their normal relationship to British prices is, however, indicative of the effect of the price-raising measures which these countries have adopted.

TABLE 17.—*Wheat: Spread between British parcels price and price in specified markets, deviations from a "normal" spread under conditions of free importation*¹

Crop year beginning July 1	Berlin	Paris	Milan
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1921-22	-7	33	1
1922-23	-1	40	7
1923-24	11	28	-7
1924-25	-3	5	-1
1925-26	17	-8	32
1926-27	40	31	41
1927-28	34	29	34
1928-29	39	50	56
1929-30	57	24	54
1930-31	117	113	78
1931-32	119	125	86

¹ As explained in the text, it is assumed that the Berlin price would normally be 26 cents below, Paris 10 cents below, and Milan average 3 cents above, the price of imported parcels in Great Britain.

Although they are the largest consumers of wheat among the importing countries, France, Germany, Italy, and Spain are by no means the only ones which have effective import restrictions on wheat. Table 11 (p. 148) presents in outline a classification of the import restrictions and other price-raising measures applied by 27 importing countries, including the 4 mentioned above, together with the yearly average utilization and production of wheat in each country. It indicates how drastic are the tariffs of many of these countries on wheat and flour and the types of other import restrictions or price-enhancing measures that have been adopted. It bears evidence as to how generally wheat imports are restricted by the various importing countries.

2. *Effect on production and consumption.*—To arrive at any precise estimate of the total effect of all the trade restrictions and other price-enhancing measures upon the foreign market for and price of United States grown wheat, a very exhaustive analysis would be necessary. For the purposes of the present report, this is not feasible. Nevertheless, as a result of analyses for a few of the most important countries, it is feasible to give some examples of the effect which the maintenance of relatively high prices has had upon the production and consumption of wheat and of the effect which this, in turn, has had upon the American market.

(a) *Effect in Germany.*—Germany provides perhaps the clearest example of how the consumption of wheat has been decreased. According to a wheat-consumption estimate of the "Institute for

Agricultural Market Research" (Institut für Landwirtschaftliche Marktforschung) of Germany, the human consumption of wheat in that country has declined from 189,000,000 bushels in 1928-29 to 151,000,000 bushels in 1931-32.¹ This decline in consumption has been accompanied by a rapid rise of the price of wheat compared with the price of other products in Germany. This is indicated by figure 10.

The adjusted price of wheat rose from 162 marks per 1,000 kilograms in 1928-29 to 234 marks in 1931-32. If German wheat prices had maintained their normal relationship to the world market, wheat would have sold in that country in 1931-32 for the equivalent of about 50 cents per bushel—that is, 73 marks per kilogram. Divid-

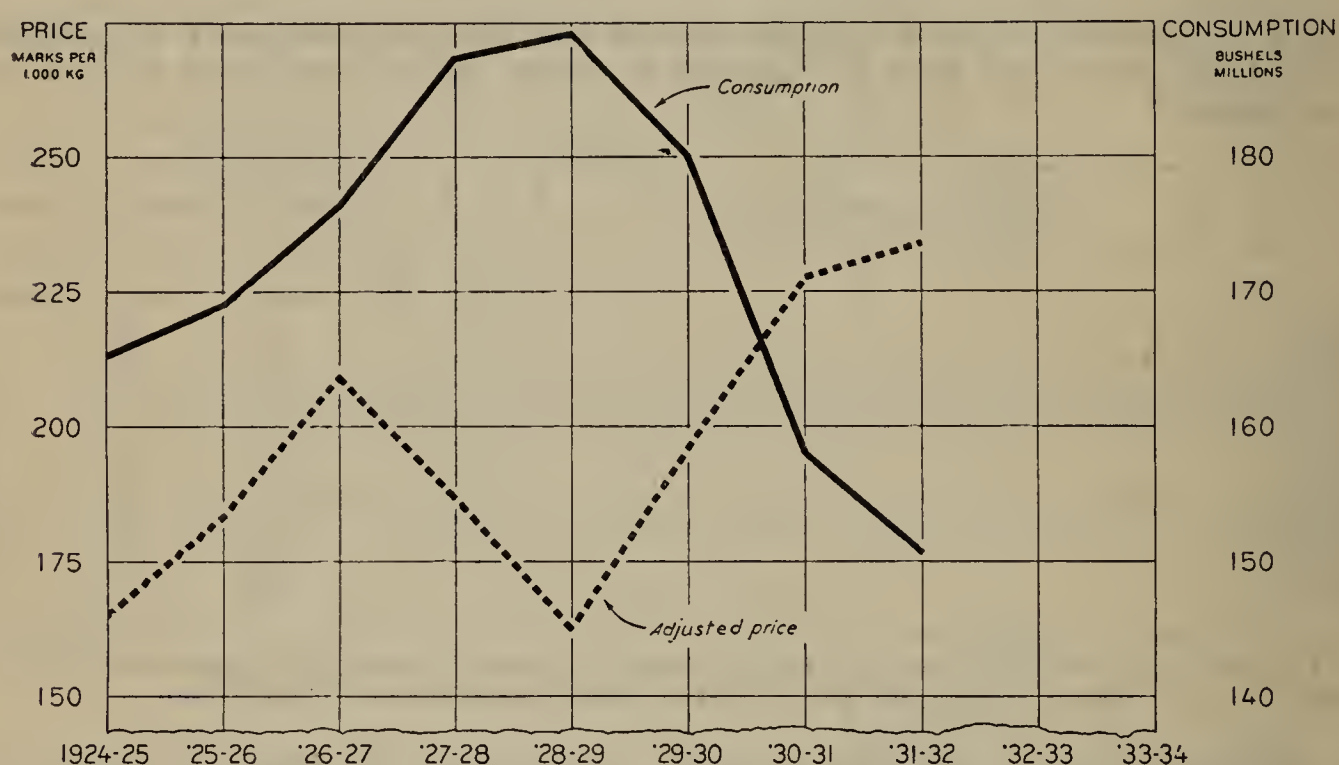


FIGURE 10.—WHEAT: CONSUMPTION, AND PRICE (ADJUSTED BY ALL-COMMODITY INDEX) GERMANY, 1924-25 TO 1931-32.

ing this by the all-commodity index (1913=100) for 1931-32 results in an adjusted price of 71 marks per 1,000 kilograms. Hence, in the absence of tariffs and other measures affecting wheat prices in Germany, the price during the crop year 1931-32, in terms of marks having the same purchasing power as those of 1913, would probably have been about 71 marks per 1,000 kilograms instead of 234 marks. In such a case, with the "real" price declining from 162 marks in 1928-29 to 71 marks per 1,000 kilograms in 1931-32, and if no restrictions had been placed on the use of wheat, consumption would probably have increased to well over 200,000,000 bushels yearly in spite of depressed business conditions. Hence the various restrictions appear to have decreased the human consumption of wheat in Germany by at least 50,000,000 bushels in 1931-32.

The sensitiveness of German wheat consumption to price changes is no doubt due in considerable degree to the fact that rye is a somewhat more important bread grain than is wheat in that country. Due to the almost universal use of rye bread and the relatively small amount of bread and rolls made from all-wheat flour, it is relatively easy to shift from wheat to rye flour to a considerable

¹ Institut für Landwirtschaftliche Marktforschung, Blätter für Landwirtschaftliche Marktforschung, September 1932, "Die Deutsche Getreidebilanz", pp. 131-149.

extent. Perhaps more important in the past 3 years has been the increased use of potatoes both in unprocessed form and in the form of potato flour for bread making. In part the shift from wheat to rye and potatoes has been due to a price stimulus alone, but it has also been partly due to governmental intervention acting in other ways, for example, the compulsory use of potato flour by bakers.

During the same period there has also been evidence of a marked response of wheat acreage to prices in Germany. Following increases in wheat prices relative to those of other farm products, there have been increases in the wheat area, and following price declines there have been decreases in the wheat acreage. The great rise of wheat prices (adjusted for changes in the index number of prices of farm products), especially from 1928-29 to 1931-32, has been followed by a correspondingly large rise in acreage. This is shown by figure 11.



FIGURE 11.—WHEAT: ACREAGE, AND PRICE DURING PRECEDING YEAR (ADJUSTED BY INDEX OF FARM PRODUCTS), GERMANY, 1924-25 TO 1932-33.

It thus appears that the advance of wheat prices in Germany since 1924-25 has resulted in an increase in area of about one and one half million acres. This expansion of the wheat area was in part a shift from rye. From 1925 to 1930, inclusive, the rye area was almost constant at a little over 11,500,000 acres, but in 1931 it declined from the previous year's level by 800,000 acres. It was in the same year that the largest increase of wheat area took place, a rise of 1,000,000 acres.

What would have happened to the German wheat area if prices had been allowed to fall with the world wheat price level is more uncertain. Assuming, however, a price of 73 marks per 1,000 kilograms in 1931-32 and dividing this by the index of prices of agricultural commodities for that year results in an adjusted price of 75 marks per 1,000 kilograms. A wheat price adjusted in this manner indicates, as it rises and falls, changes in the price of wheat relative to other farm products. If the wheat price as adjusted by the agricultural index had fallen from 162 marks in 1928-29 to 75 marks in 1931-32, it seems likely that the wheat acreage, instead of rising from 4,000,000 to 5,500,000, might have declined to about

3,000,000 acres—a difference of 2,500,000 acres. In view of the fact that yields in Germany average over 27 bushels per acre, the difference of around 2,500,000 acres would, on the average, result in an increased production of between 65,000,000 and 75,000,000 bushels yearly. The increased acreage combined with the decreased consumption has resulted in Germany's now being on a basis where it will produce, on the average, about as much wheat as it consumes instead of importing an average of 69,000,000 bushels yearly as was done in the 5 years, 1926–27 to 1930–31.

(b) *Effect in France.*—In France the wheat area has been very stable. The estimated acreages of 1923, 1924, and 1925, however, were considerably above those of any other post-war year. The French Ministry of Agriculture inaugurated a “raise-wheat campaign” in 1922, which may have been the cause of larger areas in these years, though it may be that the effect of the campaign is reflected in overestimation of the acreage. In any event, the acreage changes of these years could scarcely be expected to bear any close relationship to the changes in adjusted prices, both because of the wheat campaign and because the franc was falling and prices in terms of francs were rising rapidly during these years. From 1926 to 1932 there was no significant change in acreage, so we have no evidence that the high prices of the past 2 years have increased French wheat production. (See table 18.) There is, of course, the possibility that the area might have declined had not prices been maintained and also that long-continued high prices may eventually result in an increase of the wheat acreage, but the statistics of acreage and prices do not seem to warrant such a conclusion.

Consumption of wheat in France, on the other hand, has shown a tendency to fluctuate slightly with changes in adjusted prices. This is especially true if some allowance is made for the possible overestimation of the crops of 1923, 1924, and 1925. Data of adjusted prices and “apparent utilization” (not taking account of possible overestimation of the crops above mentioned) are shown in table 18. It should be borne in mind that the figures of “apparent utilization” represent estimated production plus net imports and take no account of changes in stocks.

TABLE 18.—*Wheat: Acreage, adjusted prices, and apparent utilization in France, 1921–22 to 1931–32*

	Acreage	Price adjusted by all-commodity index 1913=100	Apparent utilization
	Million acres	Francs per 100 kilograms	Million bushels
1921–22.....	13.3		345
1922–23.....	13.1		296
1923–24.....	13.7	17.7	340
1924–25.....	13.6	21.0	334
1925–26.....	13.9	20.4	358
1926–27.....	13.0	24.8	306
1927–28.....	13.1	23.0	324
1928–29.....	13.0	21.9	346
1929–30.....	13.3	20.9	354
1930–31.....	13.3	30.0	275
1931–32.....	12.8	33.6	345

Insofar as years of low prices tend to result in a large carry-over, these figures give a false impression that consumption has increased. In any event it must be expected that the "apparent utilization" will fluctuate more from year to year than does the actual utilization of wheat. Thus the 1930-31 figure of 275,000,000 is probably less than the actual consumption, while 346,000,000 bushels is probably more than the actual consumption in 1931-32. Nevertheless it appears to be significant that the average "apparent utilization" of the past 2 years is approximately 310,000,000 bushels, which is 37,000,000 bushels less than that of the 5 preceding years, while the adjusted price of domestic wheat at Paris averaged 31.8 francs per quintal (100 kilograms), compared with 22.2 francs for the preceding 5 years.

Had wheat prices at Paris fallen as much as world-market prices they would probably have been the equivalent of between 50 and 55 cents per bushel in 1931-32; that is, about 50 francs per quintal. Adjusting this by the index of all-commodity prices in France in 1931-32 gives 10.4 francs per quintal, which is less than one third of the adjusted price which actually obtained in that year. While there is much uncertainty how much effect such a low level of prices would have on consumption, there is no doubt but that it would tend to increase consumption through increasing its use as feed, if in no other way. Since the average apparent utilization of the past 2 years was 37,000,000 bushels below the average of the previous 5 years, it would seem conservative to estimate that a decline of 10 francs in the adjusted price in place of a rise of about the same amount would have resulted in consumption in excess of the present level by more than 50,000,000 bushels yearly. This would be an increase of only about 15 percent resulting from a price decline of 70 percent.

(c) *Effect in Italy.*—In Italy there is evidence that both the area of wheat and its consumption have been moderately affected by the maintenance of a relatively high level of wheat prices. The rise of adjusted prices from the low levels of 1922-23 and 1923-24 to a level of about 50 percent higher in 1926-27 was followed by an increase of approximately three quarters of a million acres in the wheat area. As wheat prices declined relative to prices of other commodities in the 2 subsequent years, about half of the gain in area was lost. In each of the past 3 years, however, there has been a rise in the adjusted price of wheat and a fairly steady increase in the wheat area. These changes are shown by table 19 and by figure 12. The acreage increase since the level of the years 1922 to 1924 has been sufficient to increase production by about 13,000,000 bushels yearly. In addition, however, there is evidence that the "battle of wheat" has resulted in an increase in the average yield per acre of between 1 and 2 bushels per acre, which is sufficient to increase the annual production by between 10,000,000 and 20,000,000 bushels yearly.

TABLE 19.—Wheat: Acreage, adjusted prices, and apparent utilization in Italy, 1921-22 to 1931-32

Year	Yield per acre	Acreage	Price adjusted by all- commodity index 1913=100		Apparent utilization
			Nondurum	Durum	
	<i>Bushels</i>	<i>Million acres</i>	<i>Lire per quintal</i>	<i>Lire per quintal</i>	<i>Million bushels</i>
1921-22	16.3	11.9			295
1922-23	14.1	11.5	21.3	22.7	272
1923-24	19.5	11.6	18.2	20.3	295
1924-25	15.1	11.3	26.9	28.9	266
1925-26	20.6	11.7	29.2	29.9	305
1926-27	18.2	12.1	29.2	32.6	308
1927-28	15.9	12.3	26.9	28.7	283
1928-29	18.6	12.3	26.7	28.5	318
1929-30	22.1	11.8	29.2	31.0	304
1930-31	17.6	11.9	30.4	34.6	294
1931-32	20.6	11.9	32.3	39.5	278
1932-33	22.6				

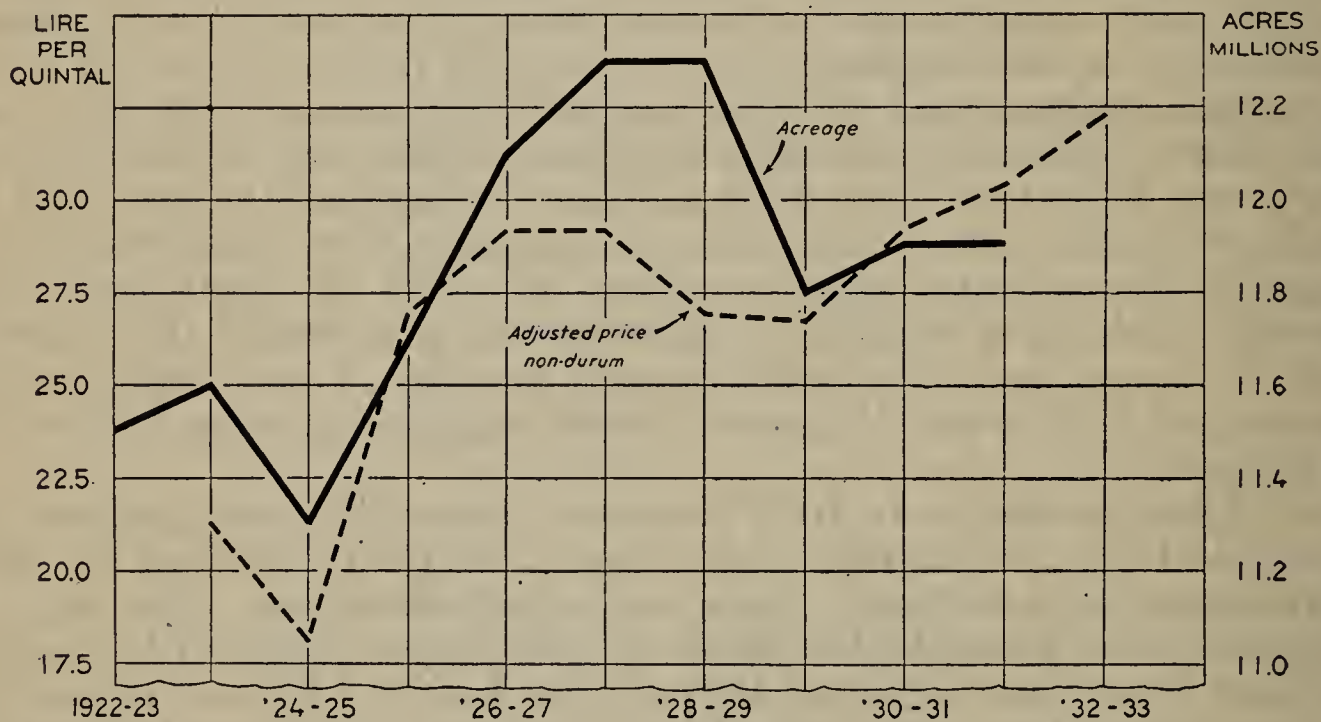


FIGURE 12.—WHEAT: ACREAGE, AND PRICE DURING PRECEDING YEAR (ADJUSTED BY ALL-COMMODITY INDEX), ITALY, 1922-23 TO 1932-33,

If wheat prices in Italy had not been maintained by high duties and other restrictions, but had followed the movements of prices in world markets, nondurum wheat probably would have averaged about 42 lire per quintal (equivalent to about 60 cents per bushel) in 1931-32 instead of 105 lire. This price adjusted by the all-commodity index of wholesale prices (so as to be in terms of lire of the same purchasing power as in 1913) would have been about 13 lire per quintal in place of the 32.3-lire-per-quintal figure as shown in table 19 and in figures 12 and 13. Under such conditions it seems reasonable to suppose that the area would now be at least 1,000,000 acres, or nearly 10 percent below its present level. Taking account of the effect of governmental measures on both acreage and yield, then, it would appear that they have raised the Italian production about 35,000,000 bushels over what it would otherwise be.

As shown by table 19 and figure 13, there have been rather wide year-to-year fluctuations in the apparent utilization of wheat in

Italy. As in the case of the corresponding figures for France, these fluctuations are no doubt due in part to inaccuracies—especially to lack of data on carry-over. From 1922 to 1928, however, there is evidence of a marked upward trend. This probably was due partly to post-war recovery and partly to a growing population. It was in spite of an upward trend in the adjusted price of wheat. Even during this period, however, there was considerable evidence of the expansion of consumption being accelerated by declines in prices and curtailed by rising wheat prices. The apparent utilization in each year since 1928–29 has declined, and meanwhile adjusted prices have advanced. The average apparent utilization of the past 2 years is 286,000,000 bushels, compared with an average of 304,000,000 bushels for the preceding 5 years, a decline of about 6 percent. The adjusted price of nondurum wheat (which constitutes about 75 percent of the Italian wheat consumption) averaged 31.4 lire per quintal in the past 2 years, compared with 28.2 lire in the previous 5. This suggests a distinct sensitiveness of consumption to prices. Since Italian prices (adjusted) would have been only about 13 lire per quintal in 1931–32 instead of 32 lire if they had been on a parity with the world market, it seems likely that the price-supporting measures may have resulted in a consumption of at least 30,000,000 to 40,000,000 bushels less wheat than otherwise.

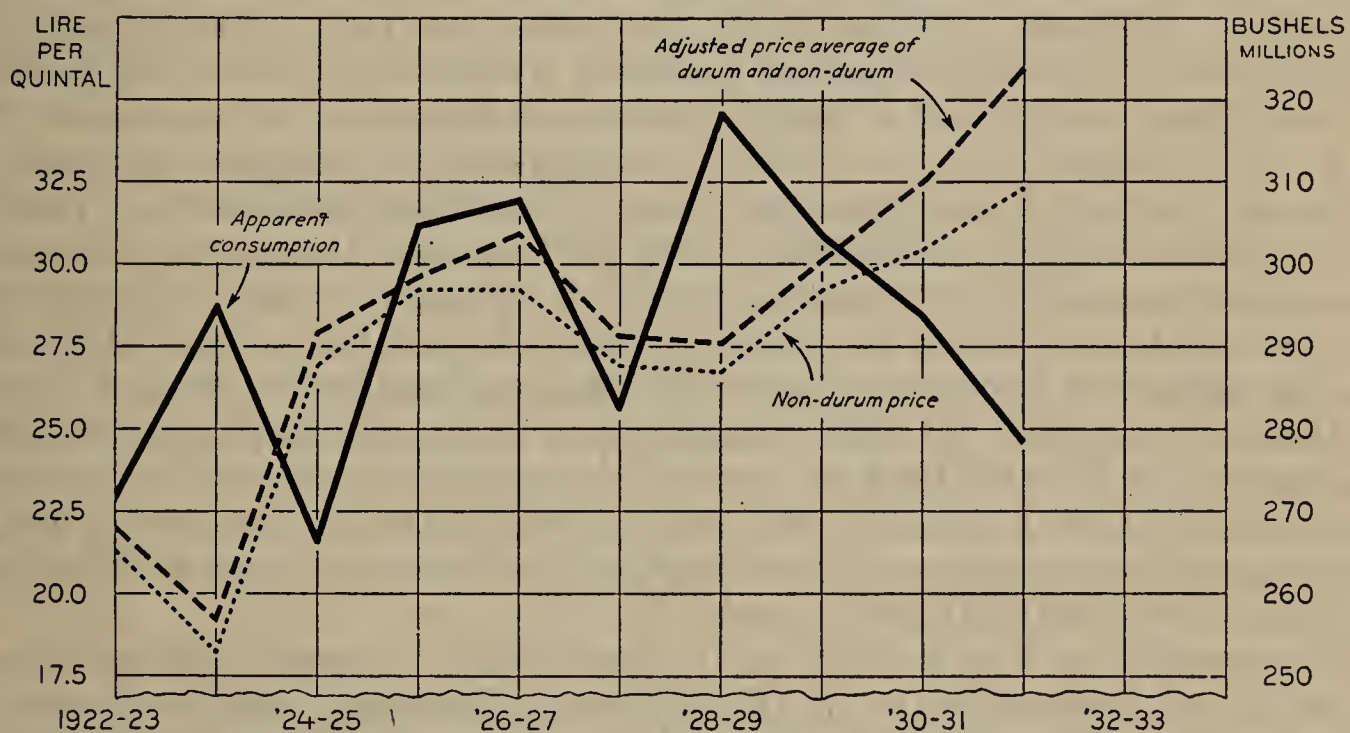


FIGURE 13.—WHEAT: CONSUMPTION, AND PRICE (ADJUSTED BY ALL-COMMODITY INDEX), ITALY, 1922-23 TO 1931-32.

COMBINED EFFECT OF WHEAT RESTRICTIONS IN ALL COUNTRIES

Combining the effects of the international trade and other wheat-market restrictions in the three countries dealt with above, it would appear that consumption was reduced in 1931–32 by fully 135,000,000 bushels while production was increased by about 105,000,000 bushels. Hence, in these three countries the effect of restrictions to date has probably resulted in a difference of at least 240,000,000 bushels annually in the balance between production and consumption. That is, if world prices were maintained at present levels and prices in

these three importing countries were in line with the world level of prices, and there were no other governmental interference with the production and consumption of wheat in these three countries, total world production would be fully 105,000,000 bushels a year less and total world consumption about 135,000,000 bushels a year larger. If absence of restrictions and other governmental measures were assumed for the other countries, as well as for these three, the difference would be larger.

While Germany, France, and Italy are the largest wheat-consuming countries that have taken drastic measures to restrict imports and keep their prices far above the world market level, many others have adopted similar measures with which it is not feasible here to deal in any detail. In the case of Spain, prices have been influenced by government action ever since the war, but most of the other importing countries have applied drastic restrictions only within the past 3 or 4 years. Some indications of how these restrictions have affected total wheat production and imports of the importing countries of Europe may be gained from a brief review of production and imports of these countries since 1921-22.

From 1921-22 to 1928-29 there was a marked increase in the consumption of wheat in the 19 importing countries of Europe.² The trend of production, plus net imports of these countries, rose from an average level of about 1,400,000,000 bushels in 1921-22 to 1,650,000,000 in 1928-29. Undoubtedly this rise was partly the result of an increase in demand due to recovery from the World War, but it took place in spite of a rise in prices, and hence it was indicative of a basic upward trend in wheat consumption due to growing population and in some cases to a growing preference for wheat in place of other breadstuffs. Following 1928-29, however, this upward trend was arrested and there has even been an actual decrease in spite of the tremendous decline in world prices. In no year since 1928-29 has the figure of production plus net imports reached as high a level as that of 1928-29. If the consumption had continued to grow at the rate of 35,000,000 bushels yearly, the consumption of these countries would in 1931-32 have been over 1,750,000,000 bushels, compared with an average apparent consumption in the past 2 years of only slightly over 1,600,000,000 bushels.

Presumably if the reduction in the levels of world prices since 1928-29 had been effective in all of these importing countries instead of being largely confined to Great Britain, consumption might have increased more rapidly instead of falling off as has actually been the case. Hence, it would seem likely that the high prices and other effects of import restrictions have been to decrease consumption of these importing countries by well over 150,000,000 bushels yearly. The exact extent of the decrease is, of course, uncertain, for we have no very definite measure of the extent to which lower prices might have increased consumption for Europe as a whole.

Meanwhile, the acreage of these countries has also increased. For the 5 years 1924-25 to 1928-29 the wheat acreage of Europe excluding Russia and the four exporting countries of the Lower Danube

² These include the United Kingdom, Germany, Italy, France, Belgium, Netherlands, Greece, Czechoslovakia, Irish Free State, Switzerland, Austria, Denmark, Sweden, Norway, Finland, Spain, Poland, Latvia, and Estonia.

Basin averaged 51,100,000 acres. By 1931-32 it had increased to 55,000,000, and by 1932-33 to 56,100,000. The increase of 5,000,000 acres in area is sufficient to increase production in these countries if yields are average by about 100,000,000 bushels yearly. It is to be borne in mind, however, that this increase in acreage is in spite of decreases in some countries, such as the United Kingdom where through 1932-33 practically the full effect of lower prices was felt by growers, and in consequence the area was materially reduced. This increase of production in Europe as a whole tends to confirm the estimates arrived at for the three countries, and suggests that if the prices in all importing countries have fallen along with world prices, the total production in the importing countries of Europe might have been smaller in 1931-32 by fully as much as 150,000,000 bushels.

We have still to consider, however, the effect of governmental measures upon production and consumption of wheat in the countries of the Lower Danube Basin and in Russia. Concerning Russia, there is little to be said save that there has been a tremendous increase of acreage in the past 10 years and that the planting of wheat has been greatly subject to control by the Soviet Government. Every effort has been made by the Government to increase wheat area. In large part, however, the increased production has been consumed within Russia, and the effect upon the wheat markets in the rest of the world has not been greatly to increase supplies on the world market. Nevertheless, under the influence of governmental control, exports from Russia have become a material factor in the world market and in the past 3 years they have averaged nearly 70,000,000 bushels yearly as compared with 15,000,000 bushels for the 9 preceding years. Hence, it would appear that under governmental influences, Russian exports have been increased by over 50,000,000 bushels yearly.

In the case of the Lower Danube Basin (Hungary, Rumania, Yugoslavia, and Bulgaria) wheat acreage recovered following the war and for the 5 years 1924 to 1928 averaged 18,800,000 acres. There was little change in this area through 1929-30, but there were, of course, minor fluctuations. Under the influence of governmental aid to wheat growers, the wheat area of these countries rose to 20,000,000 acres in 1930-31 and 20,900,000 in 1931-32. There was a decline in 1932-33 to 18,800,000 acres, but this was due to very unfavorable weather for planting, and the 1933 area for harvest is tentatively estimated to be 20,400,000 acres. The increase of over 4,500,000 acres in the area of these countries would, with average yields of 15.4 bushels per acre, result in increasing the average production by about 25,000,000 bushels yearly.

There have, of course, been some other countries in which price raising or other control measures have tended to increase acreage or decrease consumption of wheat, but these have been minor. Hence, by adding together the figures already arrived at, we have approximately the effect that the various control measures had upon increasing supplies and decreasing consumption for the world outside Russia. The result is an increase of production of 225,000,000 bushels yearly and a decrease of consumption of 175,000,000 bushels, or a change in the balance between production and consumption of around 400,000,000 bushels yearly.

	Increase in sup- ply	Decrease in con- sumption		Increase in sup- ply	Decrease in con- sumption
	<i>Million bushels</i>	<i>Million bushels</i>		<i>Million bushels</i>	<i>Million bushels</i>
Germany-----	70	50	Importing countries of Europe	150	175
France-----		50	Russia (average exports)-----	50	-----
Italy-----	35	35	Lower Danube Basin-----	25	-----
Total of 3 countries-----	105	135	Grand total-----	225	175

It should be borne in mind that if the analysis by which they have been arrived at is substantially correct, the above estimates are conservative. They are underestimates rather than overestimates. No account has been taken of the effect which price-raising measures of the lower Danube Basin countries have had in decreasing consumption, nor of the effect which governmental measures in Canada, Australia, and other exporting countries have had in increasing production. While the effect of these must have been small, it nevertheless would tend to increase the estimates. Furthermore, in estimating the effect of price maintenance in the European countries upon consumption, little weight has been given to the possibility of a large increase in the use of wheat as a feed in the absence of such measures. The increased use for feeding might have been very large, as is indicated by the fact that in the United States, in each of the years 1930-31 to 1932-33, from 100,000,000 to 120,000,000 bushels more wheat has been fed than was usual in earlier years.

POSSIBLE EFFECT UPON PRICES OF ELIMINATION OF INTERVENTION

If in 1931-32 there had been no restrictions, and supplies had been decreased by 225,000,000 bushels, and consumption increased by 175,000,000 bushels, the carry-over would have been reduced by 400,000,000 bushels. Such a reduction would have been sufficient to wipe out the surplus carry-over under which the world wheat market is suffering. It would presumably have reduced the accounted-for stocks (stocks in four principal exporting countries, plus United Kingdom port stocks and quantities afloat) to about 300,000,000 bushels in place of the actual total of 665,000,000 bushels.

Of course, even if all restrictions were done away with, so great a result could not be expected in a single year. While consumption might increase promptly, it probably would take several years for the acreage of Europe to be reduced to a level which would have prevailed if there had been no such restrictions. Furthermore, to reduce restrictions greatly or to eliminate them altogether, would affect prices as well as carry-over. Just to what extent the initial effect would be upon carry-over and to what extent it would be upon prices is uncertain. However, within a few years at most the carry-over would be reduced to normal proportions and from then on the full effect would be upon prices.

Under normal conditions, and if the general level of prices is about the same as in 1932, a change in total accounted-for world supplies of 400,000,000 bushels may be expected to result in a change of between 15 and 20 cents per bushel in the price of wheat at Liverpool

and a similar change in the price in exporting countries such as the United States. With accounted-for stocks reduced to normal proportions, or about 360,000,000 bushels less than they were at the beginning of the 1931-32 season, and with the yearly contribution to supplies through production, and through exports from Russia, reduced by 225,000,000 bushels, supplies would average 585,000,000 less. Under such conditions, prices would presumably average somewhere around 25 cents per bushel higher. Such an improved average level of prices might be expected to continue until it was either raised or lowered by later adjustments of acreage by the exporting countries or by changes in demand. Nevertheless, whatever may be the other factors influencing wheat prices, a large part of the benefit to wheat growers in the United States, resulting from reduced wheat barriers, would remain. Prices would be permanently higher as the result of doing away with, or reducing substantially, the trade restrictions and similar measures in effect in foreign countries.

CHAPTER IX

HOG PRODUCTS

Pork and lard are the only livestock products exported from the United States in significant quantities. Exports of these products have been trending downward during recent years. Lard exports during 1932 were about 24 percent of the quantity of lard produced in this country, and pork exports constituted only about 1.5 percent of total pork production. European countries provide the principal foreign outlets for our hog products although small quantities are shipped to Cuba, Canada, and a few other non-European countries.

Exports of hog products gradually decreased from 1900 to 1914. The World War proved a great stimulus to our foreign trade, however, and exports of both pork and lard increased sharply from 1915 to 1919, the greatest increase being in pork. Since 1919 the trend of total exports has been sharply downward, although lard exports continued upward until 1923. Lard has represented an increasing proportion of our total export trade in hog products during most of the last 50 years.

In three periods of the history of our export trade in hog products foreign government intervention has been an important factor affecting the foreign outlet for United States pork and lard. The first of these periods was during the 1880's when high tariff duties and other regulations were adopted in many foreign countries, because the presence of trichinæ had been discovered in the imported pork products. With the adoption of a satisfactory system of inspection of these products before exportation, most of the import restrictions were modified during the 1890's. Shortly after the beginning of the century the second wave of import restrictions was initiated. The regulations during this period were largely designed to encourage hog production in the countries adopting the measures, but with the growing need for imported food supplies in Europe the restrictions were again modified in the allied countries soon after the beginning of the World War.

During the post-war period prior to 1930 a moderate increase in restriction occurred in a number of countries, but government intervention was not of much significance to our export trade in pork and lard until the current world-wide business depression got well under way. Export aids in competing countries, higher tariff duties, limited quotas, and other forms of intervention have been increasingly important during the last 3 years, the movement being especially wide-spread during 1932.

The following discussion will be confined to the various forms of Government intervention affecting the international trade in hog products during the post-war period, and most attention will be

given to the developments since 1930. An attempt will be made to point out the relative significance of the various measures and to indicate the effect of the measures wherever it is possible to do so.

The most common forms of international trade restrictions affecting hog products may be classified into two general groups: (1) Import duties and (2) direct export and production aids. Practically all countries involved in the world pork and lard trade have adopted one or both of these forms of restrictions, and in some cases quotas, control of foreign exchange, or other miscellaneous measures have been placed in effect. Import duties on pork and lard as of February 1933 in countries that take a total of about 90 percent of the exports of hog products from this country are shown in table 20. In table 21 the principal export and production aids in effect in February 1933 are presented. The production aids are of special significance in considering the relative position of countries competing with the United States for the world trade in hog products. In order to appraise the effects of these various measures, it is necessary to consider them in relation to the pork and lard production and consumption in the country applying the measures.

		Cured or smoked hams and shoulders. Sugar-cured hams and shoulders. Pork, pickled or salted.	8.71 10.89 6.53	Plus consumption tax of 91 cents per 100 pounds. Plus 10 percent surtax. All pork imports subject to con- sular charge of 5 percent ad valorem and sales tax of 1.5 percent on duty-paid value. Plus excise tax of 1 percent of duty-paid value. All pork imports subject to sur- tax of 3 percent of duty.	----- ----- -----	----- ----- -----	----- ----- -----
Canada	20,004	Bacon, hams, and shoulders, fresh and frozen pork.	4.20			13,182	1.68
Mexico	758	Fresh pork.	.89			60,856	7 2.93
		Ham and bacon.	7.01				6 4.08

Division of Statistical and Historical Research. Tariff rates from Foreign Agricultural Service.

- ¹ Excluding neutral lard.

² Represents exports to country of first destination.

³ All conversions of foreign currencies to United States equivalents are made on the rate prevailing Feb. 15, 1933.

⁴ The German duty on lard was advanced to 75 reichsmarks per 100 kilos, effective May 16, 1933, and equivalent to \$9.12 per 100 pounds on that date, and again to 100 reichs-
marks on July 19, 1933, equivalent to \$15.71 per 100 pounds.

⁵ In air-tight containers.

⁶ In other containers.

⁷ In tank cars.

TABLE 21.—*Direct export and production aids to hog producers in selected countries, February 1933*

Country	Kind of aid	Description of aid
Germany.....	Tariff exemptions	Specified amounts of feedstuffs, imported duty-free or at reduced rates of duty.
The Netherlands...	Production control and price stabilization.	Government agency: (1) Controls production; (2) collects slaughter tax; (3) determines basic price of hogs; (4) controls export and import business; (5) fixes import duties.
Poland.....	Export bounty....	\$1.02 per 100 pounds on bacon and pickled ham; \$1.27 per 100 pounds on lard and smoked or salted ham and pork fat; \$0.51 per 100 pounds on fresh or frozen pork.
Lithuania.....	Export subsidy....	\$6.12 to \$7.26 per 100 pounds dead weight paid for hogs by Government-controlled abattoirs; losses on exports paid by Government.
Estonia.....	Price stabilization and quality improvement.	Government sets price of hogs, the products from which are exported, and fosters improvement in quality of products; plan financed through tax on slaughter of hogs and trade in hog products.
Latvia.....	Export subsidy....	\$6.57 to \$7.44 per 100 pounds live weight is guaranteed for hogs slaughtered for export trade.
Irish Free State....	Export bounty....	\$1.53 per 100 pounds on bacon, hams, and other manufactured pig products; \$1.15 per 100 pounds on pork carcasses; 77 cents per 100 pounds on pig offal.
Canada.....	Preference in British markets and quality improvement.	Granted free market in Great Britain for 280,000,000 pounds of bacon and hams annually; selected breeding stock sold to farmers at low prices.

The United Kingdom has absorbed nearly 60 percent of the cured pork and about 40 percent of the lard exported from the United States during recent years. Any action by foreign governments with respect to international trade in hog products, therefore, is reflected in the United States principally by the effect that such action has on the British market. Thus in appraising the effects of foreign governmental intervention in the international trade in hog products, the principal countries are classified as follows: (1) The United Kingdom, (2) countries important in the British pork and lard trade, and (3) other countries.

THE UNITED KINGDOM AS THE PRINCIPAL MARKET FOR UNITED STATES HOG PRODUCTS

Sanitary restrictions were the only significant Government measures in the United Kingdom affecting American hog products during the post-war period prior to 1932. The sanitary embargo of June 1926 against fresh meat from the European Continent tended to narrow somewhat the British outlet for American cured pork, especially bacon, since it resulted in increased continental shipments of cured pork, especially from the Netherlands. European supplies of bacon available for the British market have increased since 1926, and United States exports to the United Kingdom have declined during this period.

On July 1, 1927, the British Government made effective a regulation prohibiting the use of borax or boric acid, in the curing of pork. This measure placed shipments from both the United States and Canada at some disadvantage with respect to continental European exporters. American exporters had been using borax to avoid the necessity of a "hard" cure, in view of the British preference for the

light cure commonly used in nearby European countries. The quality of American nonboraxed bacon with a light cure cannot be maintained without refrigeration in exporting to Great Britain because of the length of time involved in delivering the product to British consumers. The small quantities of bacon now going to England are marketed almost at once in certain areas where some preference for the American product is in evidence. United States exports of hams and shoulders to the United Kingdom since 1926, while showing a tendency to decline, have held up much more satisfactorily than the exports of bacon. So far, continental European competition in those cuts, as such, has not developed to the degree reached in the bacon trade.

An agreement with Canada drawn at the recent Imperial Economic Conference at Ottawa and subsequently ratified provides for a free market for Canadian hams and bacon up to 280,000,000 pounds annually. During 1932, exports of bacon and hams from Canada totaled only 35,800,000 pounds. The agreement provides that the liberal Canadian quota is to be a part of any program adopted in Great Britain, based on the recommendations of the national committee as to methods of improving the British hog and pork industry.

As a part of the program for improving this industry, monthly shipments of bacon and hams from non-Empire countries to the United Kingdom were limited from November 23, 1932, to February 22, 1933, to a level 15 percent under the average monthly shipments from August to October 1932. This restriction of supplies was determined by agreements with the countries involved in the British pork trade. Total receipts during the November to February period were well under the contemplated volume. About 274,740,000 pounds of imported bacon and hams were anticipated under the voluntary agreements during the period and actual imports totaled 267,838,000 pounds. The Netherlands, Poland, and Argentina were the only countries to exceed their respective quotas. The monthly imports of bacon and hams into the United Kingdom from the principal countries, August 1932 to February 1933, are shown in table 22.

TABLE 22.—*Imports of bacon and hams into the United Kingdom from selected countries, August 1932 to February 1933*

Date	Denmark	Netherlands	Poland	United States	Other countries	Total ¹
1932:	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
August.....	70,019,000	9,001,000	14,095,000	5,385,000	14,986,000	113,486,000
September.....	67,587,000	11,679,000	11,742,000	3,523,000	14,018,000	108,549,000
October.....	75,730,000	16,872,000	9,161,000	4,850,000	15,194,000	121,807,000
November.....	70,445,000	15,765,000	9,595,000	4,889,000	21,761,000	122,455,000
December.....	59,332,000	10,548,000	8,136,000	4,135,000	17,244,000	99,395,000
1933:						
January.....	57,307,000	11,827,000	10,420,000	4,398,000	19,750,000	103,702,000
February.....	50,495,000	8,486,000	9,199,000	3,467,000	12,140,000	83,787,000

Compiled from accounts relating to Trade and Navigation of the United Kingdom.

¹ Reexports not deducted.

It may be observed that receipts from Denmark, the Netherlands, and Poland—the principal sources of imported supplies—were curtailed sharply during the 3 months, December to February. Shipments from the United States were reduced only moderately, even though they were smaller than the quantity allotted.

The agreements are being continued with a few modifications until June 22, 1933. The allotment to the United States for the 3-month period ending June 22, 1933, is slightly smaller than the total British imports of bacon and hams from the United States during the corresponding period of 1932. Largely as a result of the restricted supply, pork prices in British markets have advanced materially during recent months, with continental Wiltshire sides showing the greatest improvement. Prices of Danish Wiltshire sides in terms of both British and United States currency have advanced since January. The rise in prices of the American cuts has been less marked than that of continental cuts. (See table 23.) The demand for American bacon is affected more by the supply of British pork than by the supply of the continental product, and hog marketings in Great Britain have been relatively large during recent months. Pork prices in the British market usually decline during the last 4 months of the year, but they normally remain at a fairly stable level from January to March.

The British Government has declared its intention to establish quotas of a more permanent nature within the near future and to reduce further the quotas to non-Empire countries, if and when production in the United Kingdom increases sufficiently to justify such action, or colonial quotas are increased.

Effective July 15, 1932, the United Kingdom imposed "disciplinary" duties of 20 percent ad valorem on a number of commodities imported from the Irish Free State, including hogs and pork. This measure in itself might have benefited American bacon to a very limited extent by hampering the relatively small movement of Irish bacon to England. Indications are, however, that the British duties were a factor in increasing Irish import duties on bacon. This action not only cut down the movement of American bacon direct to Ireland but also reduced the volume reaching that market via British ports. For a considerable period of years there has been a small but consistent Irish demand for American bacon. As a result of general revisions in the British duties on Irish goods effective November 9, 1932, the ad valorem rate was raised to 40 percent on live animals for food and to 30 percent on pork.

The United States lard trade with the United Kingdom has been maintained at a fairly stable level during the post-war period. The United States furnishes about 85 percent of the total lard imported into the United Kingdom. Since March 1932 these imports have paid a duty of 10 percent ad valorem, but import figures indicate little reduction in volume as a result of the duty. Restrictions on lard imports are not included in the program for improving the British hog industry. The yield of lard from hogs produced in Great Britain and other European countries is very small. The United States is the principal lard-producing country of the world.

TABLE 23.—Pork: Average price per hundred pounds, at Liverpool, by months, July 1932 to March 1933

Date	Danish Wiltshire sides	American green bellies	American short-cut hams	Average exchange rate
1932:	Dollars ¹	Dollars ¹	Dollars ¹	Cents
July.....	9.05	7.18	12.66	355.1
August.....	10.53	7.56	11.05	347.6
September.....	10.65	8.94	11.16	347.2
October.....	8.48	8.63	9.81	340.8
November.....	8.37	7.98	8.82	327.2
December.....	9.60	7.47	9.16	328.4
1933:				
January.....	8.77	6.83	8.66	336.3
February.....	9.29	6.82	8.55	342.8
March.....	² 11.06	² 7.34	² 10.28	343.3

Compiled from records of the Division of Foreign Agricultural Service.

¹ Converted at current rates of exchange.
² 3 weeks, on account of suspension of exchange.

COUNTRIES IMPORTANT IN BRITISH PORK AND LARD TRADE
AND OF SIGNIFICANCE TO UNITED STATES EXPORT TRADE IN
HOG PRODUCTS

The principal countries with which the United States competes in supplying the British markets with hog products are: Denmark, The Netherlands, Poland, the Baltic States, Canada, and Irish Free State. Some of these countries also import hog products from the United States. Thus in the following discussion of Government action pertaining to pork and lard, such countries will be considered as customers as well as competitors of the United States.

1. *Denmark*.—Denmark is the most important source of cured pork supplies in British markets. For many years, the swine industry in Denmark was developed with the view of producing a product that would be well adapted to consumer requirements in Great Britain and in recent years about two thirds of the pork produced in Denmark has been disposed of in British markets. Although national standards, brands, and sanitary measures were adopted by the Danish Government in order to assist in fulfilling this aim, no direct export and production aids, such as those in some European countries, were established. Following the World War, hog production and bacon exports were expanded to new high levels, reaching their peaks in 1931. As a result of record supplies and the sharp curtailment in consumer demand, pork prices in British markets dropped to extremely low levels, and because of the unfavorable returns from the industry, hog production in Denmark turned downward in 1931. Although Danish hog numbers at the beginning of 1933 were considerably below those of a year earlier, much difficulty has been encountered in disposing of the supply in excess of the British quota. The allotment to Denmark has been about 80 percent of the quantity of the Danish product shipped to British markets a year earlier, and in view of the British program it appears likely that the quota will be further reduced.

Danish hog producers have been given individual quotas for hog marketings during the 4 months, January to April 1933. Hogs de-

livered in excess of the quota are not necessarily refused, but they are purchased only at a sharp discount. The Danish Government has enacted legislation authorizing definite control of hog production, but steps in this direction await the adoption of a more definite policy as to future quotas in the United Kingdom. The authorization includes the right to adopt measures for fixing prices, regulating slaughterings, and limiting production. In fixing prices, the law provides for the payment of a higher price for hogs required for the export trade, than that paid for hogs for domestic consumption. The expense of administering the law is to be defrayed by the collection of a tax on hogs slaughtered.

2. *The Netherlands*.—Following the World War, the Netherlands resumed its pre-war exports of fresh pork to Great Britain, but the British embargo on fresh pork in 1926 shut off that outlet for the Netherlands product. As a result, the Netherlands began curing pork for export to the United Kingdom. Table 24 shows the number of hogs slaughtered in the Netherlands and cured pork exports from that country to the United Kingdom, from 1924 to 1930. It may be observed that exports increased sharply relative to slaughter during the years following 1926.

TABLE 24.—*The Netherlands: Hog slaughter and cured pork exports to the United Kingdom, 1924–30*

Year	Slaughter ¹	Exports of
		bacon and salted, smoked, or dried pork ²
	1,000 head	1,000 pounds
1924.....	2,768	6,907
1925.....	2,810	31,481
1926.....	2,440	72,376
1927.....	3,041	96,039
1928.....	3,077	123,618
1929.....	2,415	104,228
1930.....	2,746	95,920

¹ Compiled from Jaarcijfers voor Nederland, 1931, p. 229.

² Compiled from Jaarstatistiek van den In-, Uit- en Doorvoer, and Maandstatistiek van den in-, Uit- en Doorvoer.

The Netherlands has gone further than most countries in the matter of setting up machinery for controlling hog production. The emergency hog act of July 1932 set up the Netherlands Hog Central, the important duties of which are: (a) The enforcement of a system of hog-production control, (b) the establishment of a price-stabilization fund, (c) the management of all imports and exports of hogs and hog products, and (d) the application of import duties on those commodities.

A system of earmarkings is an important feature of the production-control mechanism. The Minister of Agriculture is given the authority to determine periodically and for specific periods the number of marks to be issued, both for the country as a whole and for the several regions. The Netherlands Hog Central and its local agencies are responsible for the distribution of the marks specified.

No hog weighing over 22 pounds may be kept, marketed, or transported unless it bears this official earmark. A fee of about 10 cents each is collected for the earmarks which the Central allots to each producer. Additional earmarks may be purchased for about \$2 each, but few producers are interested in paying that much in order to raise more than their allotment of hogs.

The source of revenue for the price-stabilization fund is a slaughter tax paid on practically all hogs killed in the Netherlands. The tax was fixed on August 15, 1932, at Fl. 0.09 per kilo (\$1.64 per 100 pounds) and was raised on January 15, 1933, to Fl. 0.10 per kilo (\$1.82 per 100 pounds).³ The tax is paid to the Hog Central at the time of official inspection as provided for in the inspection act of 1919. The Minister of Agriculture is authorized to fix and announce periodically the amount of tax covering specific periods. The law stipulates, however, that the amount must always be such that by means of the stabilization fund a basic price may be obtained for the hogs, corresponding as far as possible with the "indispensable costs of production."

Payments to producers were set in September 1932 at Fl. 0.30 per kilo (\$5.47 per 100 pounds) live weight for hogs of less than 330 pounds, a rate higher than the prevailing world price of Fl. 0.16 to Fl. 0.20 per kilo (\$2.91 to \$3.64 per 100 pounds). On January 15, 1933, the basic price was lowered to Fl. 0.28 (\$5.10). The Central is charged with maintaining a regular and consistent quality of pork products to foreign markets. As a result of its export monopoly, the Central has complete control over the 25 factories producing bacon for export. All losses incurred in the exporting of hog products are absorbed by the Hog Central.

In view of the short time in which the emergency hog act has been in effect, no definite appraisal of the effects of the operations of the Hog Central upon the hog situation in the Netherlands can be made. During the first half of 1932, before the emergency hog act became effective, hog slaughter for domestic consumption was 28 percent larger than in the corresponding period of 1931. During the third quarter of 1932, after the adoption of the act, domestic slaughter was 6 percent smaller than in the same quarter a year earlier. Exports of hog products were smaller during the first half of 1932 than in 1931, but after the operations of the Hog Central were initiated, exports increased materially. This increase continued until the British quota agreements on pork imports were made in late November, after which some restriction was necessary. Retail prices of hog products in the Netherlands averaged somewhat higher during the last half of 1932 than in the first 6 months of the year.

The Netherlands is second to Germany as a continental European buyer of American lard. The Netherlands has a considerable business with other European countries in the reexporting of lard. In addition, the Netherlands has an export surplus of domestic lard. Imported lard is not subject to duty.

3. *Poland*.—During 1932, Poland became second to Denmark as a source of bacon imports into the United Kingdom. As early as 1924,

³ All conversions of foreign currencies to United States equivalents contained in this chapter are based on exchange rates as of Feb. 15, 1933, unless otherwise specified.

Polish cured pork began arriving in British markets. The development of the Polish hog industry has been accompanied by considerable friction with neighboring countries, most of which have sought to limit their takings of Polish hogs and pork. Germany, Austria, and Czechoslovakia, all of them regarded by Poland as convenient outlets, have made liberal use of sanitary embargoes and import duties. The Polish Government, however, has encouraged cured-pork production, especially during the last 2 or 3 years, with a view toward utilizing the British market more extensively.

Polish export premiums have been paid on bacon, ham, and salted and pickled pork, in other forms, since early in 1930. Originally the certificates issued under this system were negotiable only as payment for import duties on a list of specified products. On August 28, however, the value of the certificates was raised, and those issued on exports of bacon and ham were made redeemable in cash. The rates were raised on January 18, 1932, but on May 1, 1932, the rates on bacon, pickled hams, and other pickled and salted products were reduced to 20 zlotys per 100 kilos (\$1.02 per 100 pounds). The rate of refund on other products, including smoked hams, continues at 25 zlotys per 100 kilos (\$1.27 per 100 pounds), gross weight, if pickled in airtight containers. The increase in pork imports into the United Kingdom from Poland from 1929 to 1932 as shown in table 25 is to a considerable extent a reflection of the effects of their efforts to broaden their outlet in British markets. It cannot be said, however, that this increased movement is due entirely to the export bounty system, since hog production in Poland has been gradually expanding since the World War, and shipments to the United Kingdom might have increased without the adoption of export aids.

TABLE 25.—*Imports of bacon and hams into the United Kingdom from Poland, 1929–32*

Calendar year :	1,000 pounds
1929-----	37, 395
1930-----	58, 926
1931-----	132, 024
1932-----	127, 963

Compiled from the Annual Statement of the Trade of the United Kingdom, 1929–31; and Accounts Relating to Trade and Navigation of the United Kingdom, 1932.

Since 1928 Polish import duties on cured pork have had an upward tendency. On October 6, 1928, there was an increase; and again on August 1, 1930; and again on November 20, 1931. The November 1931 rates on bacon were double those immediately preceding. In addition, such imports pay a "manipulation tax" of one fifth of the duty. Sanitary restrictions, especially in connection with imports of live hogs, also have been an important protective factor in recent years.

4. *The Baltic States.*—The Baltic States have become of increasing importance as a source of pork supplies in British markets during recent years, but they still hold a minor position in this respect. During 1930 imports of bacon and hams into the United Kingdom from the Baltic countries constituted about 1.5 percent of the total imports, whereas during 1932 those countries supplied 5 percent of the total.

Lithuania, Estonia, and Latvia rank in the order named with respect to the volume of bacon they delivered to British markets in 1932. All three countries have granted direct export aids in various forms, and these aids apparently are largely responsible for the expansion in exports since 1930. (See table 21.)

In Lithuania the leading cooperative export abattoirs became virtual Government property in October 1930. Specified prices are paid for hogs sold to these abattoirs and the Government makes up losses sustained from sales in foreign markets.

In Estonia a law of April 1930 established a fund "for the promotion of hog rearing and for the stabilization of bacon prices." The fund is derived from a special system of taxes on domestic hog slaughter and trade in hog products. The Government establishes a price for hogs from time to time. If the free market price falls below the Government price, the producer gets the difference from the Government for hogs entering export trade.

In Latvia an export bounty is paid in the form of a guaranteed price for hogs suitable for bacon production sold to slaughterhouses for export. The Government also pays the freight on hogs moving to export abattoirs. The law providing for this export subsidy to hog producers was passed in July 1930. The guaranteed price was raised in August 1930 and again in July 1932. In Latvia, and in the other Baltic countries as well, the export aids have been accompanied by more stringent restrictions on imports of hogs and hog products.

5. *Canada*.—Exports of hog products from Canada to the United Kingdom have increased during the last 3 years, but Canada is still a relatively unimportant source of supplies in British markets. In view of the potentialities of the Ottawa agreements with respect to Canadian cured pork in Great Britain, developments in the Canadian pork industry have assumed larger significance than heretofore. The Canadian yearly allotment of 280,000,000 pounds of bacon and ham of good quality is many times larger than the current rate of exports from that country. Efforts are being made to increase the production of pork of high quality in order to get greater benefits from this liberal allotment. The Government makes available to farmers, at cost, sows of good quality which have been bred to selected boars. There is considerable agitation for granting export bounties on hog products.

Canada has adopted a definite protectionist policy with respect to imports of hog products. In 1930, the general tariff schedule was given the most drastic upward revision since 1907, and tariffs on livestock and meat were raised again in 1931. The duty on lard has remained at \$2 per 100 pounds since 1923.

6. *Irish Free State*.—The Irish Free State inaugurated a system of export bounties on hog products in September 1932. The bounty system was adopted as a result of the "disciplinary duties" against Irish pork in the United Kingdom and other difficulties confronting hog producers in the Irish Free State. The bounty rates on the various products are shown in table 21.

The United States had a special market for "green clear backs" in the Irish Free State prior to 1931. But during 1931 large sup-

plies of low-priced continental bacon were shipped to Irish markets, and in December 1931 import duties were imposed. The rates were revised in January 1932 and again in July of the same year. The high duties have practically stopped the importing of United States bacon, most of which moved through English ports.

OTHER COUNTRIES OF SIGNIFICANCE TO THE UNITED STATES EXPORT TRADE IN HOG PRODUCTS

Germany and Cuba rank next to the United Kingdom as foreign outlets for our pork and lard. A number of other countries in addition to those considered in the foregoing discussion import hog products from the United States, but they are of minor importance, collectively as well as individually.

1. *Germany*.—Although Germany is the largest hog-producing country in Europe, except Russia, it is a deficit country with respect to hogs and pork, and German hog products do not enter other important European markets in competition with United States hog products. Variations in German hog numbers and pork production, however, have an influence upon the price of hogs in other European countries, and, therefore, have an indirect influence upon the prices at which European pork products are offered in competition with American products.

German hog producers have received state aid during recent years in the form of advancing import duties, sanitary restrictions, tariff drawback on hogs exported, and efforts to make feedstuffs available at lower prices. From 1928 to date, exporters of hogs and hog products have been given the privilege of importing duty free or at reduced rates of duty, certain specified amounts of feedstuffs. In fact, during 1932 practically all of the feed-importing business in Germany has become a Government monopoly in the interest of keeping feed costs for livestock down as low as possible. Variations in hog prices reflecting the usual cyclical movements in production, also have engaged the attention of the Government. Efforts have been made to get producers to flatten out as much as possible the peaks and declines in the hog production cycle.

The rates on bacon have been changed several times since 1925 but have shown no definite tendency either up or down. The same is true of the rates on pickled pork, but the rates on fresh pork have been increased considerably in recent years. United States exports of pork to Germany have been negligible during these years.

Normally Germany secures from 75 to 85 percent of its lard imports from the United States, with Denmark supplying most of the remainder. In 1931 the Danish percentage advanced materially as hog slaughter in that country reached new high levels. During 1932, however, the proportion from Denmark fell off, with total lard imports into Germany for the season ended September 30 reaching the highest levels since 1926–27. The movement of American lard to Germany in 1932 was considerably larger than in 1931, but compared with earlier years it was relatively low.

In view of the important position of lard in the diet of the poorer classes in Germany there has been until recently a more liberal

tendency with respect to lard imports than other pork products. In Germany and other European countries the yield of lard per hog is lighter than in the United States, since European producers apparently have been more interested in producing meat than fat. For several years prior to 1932 the import duty on lard was 6 marks per 100 kilos (65 cents per 100 pounds). On July 5, 1932, the rate was raised to 10 marks per 100 kilos (\$1.08 per 100 pounds). That rate, however, was contingent upon a trade treaty with Sweden, which expired February 15, 1933, and the new rate was set at 50 marks per 100 kilos (\$5.40 per 100 pounds). (See table 20, p. 174.)

Other measures to protect the animal-fat industry in Germany also have been adopted. A Government monopoly of the sale of competing fats has been established, and production quotas have been adopted on margarine, edible vegetable oils and fats, and hardened fish oils. All of these products are regarded as being highly competitive with butter and lard. The quotas granted for the 3 months ending June 30, 1933, are about 40 percent below the production during the last quarter of 1932. In addition, higher import duties and new domestic taxes have been levied on these competing products. The tax on both imported and domestic margarine and other fats competing with butter and lard amounts to \$5.40 per 100 pounds. From the standpoint of competition the restrictions on competing fats at least fully offset the increased duty on foreign lard. Hence if present taxes and import duties are maintained in Germany, the principal depressing influence of the various restrictions on fats in that country on the demand for American lard will be through the curtailment in consumption of all fats that will accompany a general increase in fat prices.

Foreign exchange control has tended to limit imports of pork and lard into Germany during the last 2 years. Nevertheless, the quantity of lard taken during 1932 was 41 percent larger than that of a year earlier. The lower price during the year permitted a larger amount of imports in 1932 than in 1931 for a given quantity of foreign exchange.

2. *Cuba*.—Cuba ranks third as a foreign market for United States hog products. During 1931 Cuban takings of lard from the United States were 8 percent of total exports of lard from this country, and United States exports of hams and shoulders to Cuba were about 6 percent of the total movement of these cuts. Lard is by far the most important hog product imported into Cuba, and practically all of the lard is purchased from the United States.

Import duties on hog products in Cuba have increased sharply during recent years. Increases occurred in 1927, 1930, 1931, and 1932. Cuban takings of United States lard have declined materially since 1930, but it is impossible to determine how much of the decline is due to the higher duties and how much is due to reduced consumer purchasing power. Cuban lard imports during the post-war years have been closely associated with the returns from the Cuban sugar crop, and returns from that crop have been sharply curtailed since 1930.

CONCLUSIONS

The net effect that the various measures described above have had, or will have, on hog prices and exports of hog products in the United States cannot be determined accurately. It is fairly evident, however, that during the post-war period prior to 1930, import restrictions were of some significance, but that they were of minor importance compared with other factors affecting our volume of hog products exported. The United Kingdom, the principal foreign outlet for both pork and lard, imposed no restrictions, other than sanitary regulations, throughout the period. The embargo on fresh pork from continental European countries established in 1926 stimulated the movement of cured pork to British markets from those countries but since the increased shipments resulting from the embargo represented a relatively small proportion of the total supply in the United Kingdom they did not materially affect the British demand for United States pork. Imports of lard into the United Kingdom were unrestricted during the post-war years prior to 1932, and the quantity taken annually from the United States remained fairly stable during the period.

Available evidence indicates that the moderate increases in tariff duties in Germany, Cuba, Canada, and countries of lesser importance from 1920 to 1930 did not restrict the outlet for United States hog products appreciably. Of these countries, Germany provided the broadest outlet for such products and the bulk of the trade with Germany was in lard. The relationship between the consumption and price of lard in Germany, United Kingdom, and the United States during post-war years indicate that the tariff duty of 65 cents per 100 pounds, which was in effect in Germany from September 1925 to July 1932, may have depressed the price of lard in the United States by as much as 10 or 15 cents per 100 pounds. The effect of such a decline in lard prices on the price of live hogs would be negligible.

On the whole, therefore, it is apparent that only a small portion of the reduction in the foreign outlet for United States hog products during the post-war period prior to 1930 can be attributed to import restrictions on those products. The principal factor responsible for this declining foreign demand was the marked expansion of hog production in foreign countries. (See fig. 14.) This expansion represented, for the most part, a restoration of the hog industry in foreign countries to the position it held prior to the World War, and very little of it was prompted by the adoption of price-supporting measures. Hog production in Europe was greatly reduced during the war, and this reduction, together with an increased demand for pork by the allied armies, resulted in a sharp increase in United States exports of hog products. Obviously, pork exports could not continue at or near the extremely high level that prevailed from 1917 to 1919 after European agriculture was readjusted from the abnormal conditions caused by the war. Most of the increase in production in Europe since the war has occurred in Germany and Denmark.

United States exports of hog products have been affected to some extent by change in domestic production. When production in this

country has increased, there has been a tendency for exports to increase, and when production has declined, exports have tended to decrease. Thus when hog slaughter has been relatively large, the export outlet has helped to relieve the pressure of excessive domestic supplies, thereby exerting a stabilizing influence on hog prices in this country. The proportion of the total quantity of pork and lard produced in the United States sold in foreign markets has declined from 17 percent in 1921 to less than 6 percent in 1932.

Although changes in foreign governmental regulations apparently were of little significance to United States hog producers during the post-war period prior to 1930, they have been a factor of increasing importance from 1930 to date. During the last 3 years the price-supporting measures adopted in Poland and the Baltic States have

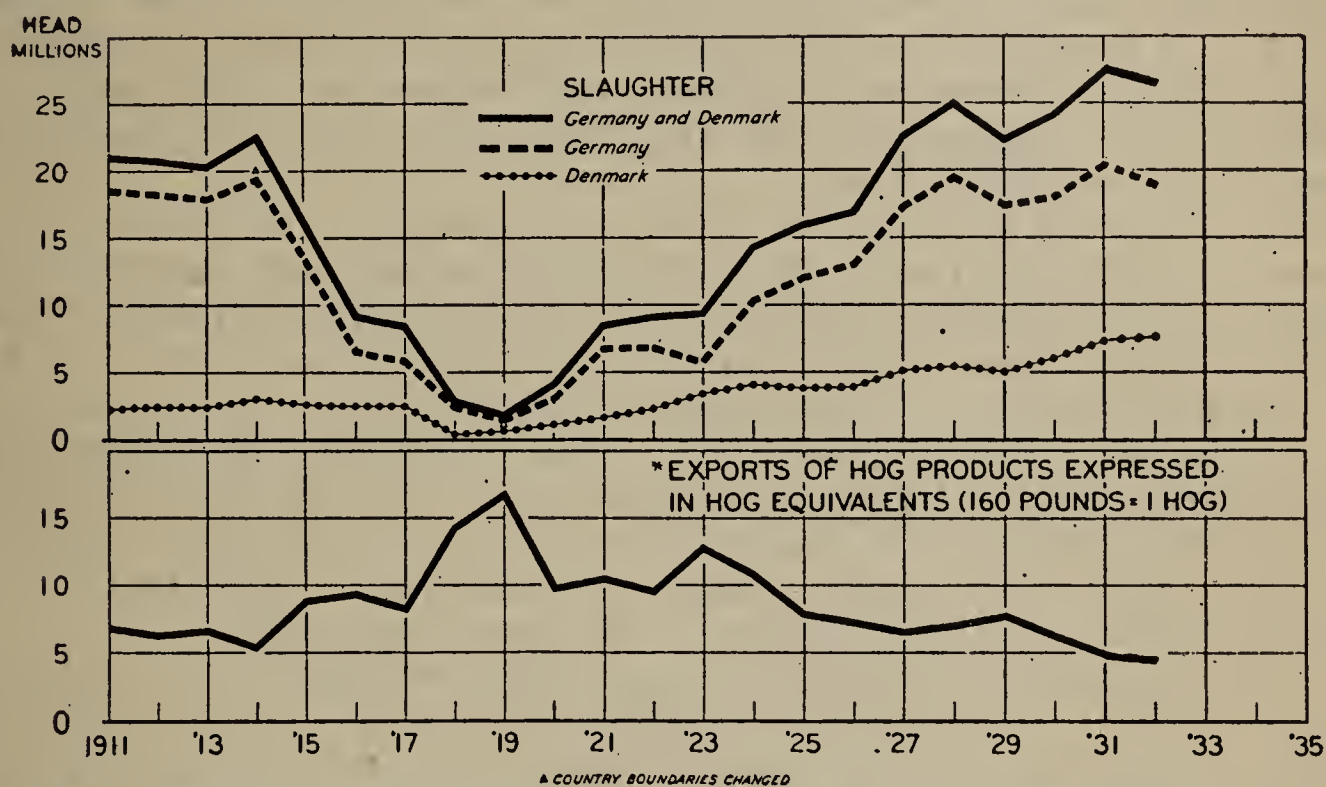


FIGURE 14.—INSPECTED HOG SLAUGHTER IN GERMANY AND DENMARK, AND UNITED STATES EXPORTS OF HOG PRODUCTS, 1911-32.

The inverse relation between hog slaughter in Germany and Denmark, and United States exports of hog products, indicates effect of competition from European countries upon our export trade in hog products. Hog slaughter in Germany and Denmark was at a relatively high level just before the war, but during the war period, slaughter supplies decreased materially. Our exports increased sharply during war years, owing to the unusually strong demand in which the decline in European hog production was a factor. Since 1920, hog slaughter in Germany and Denmark has increased greatly, and trend of our exports of hog products has been sharply downward.

stimulated the movement of pork from those countries to British markets, the principal foreign outlet for United States pork. Furthermore, since the beginning of 1932, additional import restrictions have been adopted in practically all countries that import United States hog products. The duties imposed on bacon in the Irish Free State have eliminated almost entirely the United States pork trade with that country. Maintenance of the higher import duties on lard in foreign countries, especially Germany and Cuba, probably will curtail the foreign demand for American lard considerably and have a significant effect on lard prices.

The future effect of the British program of pork-import restrictions on the United States are as yet uncertain. If future quotas are based on an average of imports during recent years, this country

would be permitted to export a larger quantity to the United Kingdom than the very small volume sent to that country during 1932, but the quantity allotted to non-Empire countries would be considerably smaller than their 1932 shipments to British markets. For a while, at least, total supplies in British markets would be smaller than they would be otherwise. Although there is a possibility of a marked increase in hog production in Canada, it is very doubtful that the production of high-quality bacon will be sufficient to permit that country to take full advantage of its quota for many years. If British import restrictions on non-Empire pork comparable to those under the temporary agreements should be continued for a year or more, hog production in European countries contributing to the British pork supply undoubtedly would be curtailed sharply, but the restrictions would have little effect on production in the United States. It appears, therefore, that the effect of the British program on the United States hog industry will depend not only upon the extent of the restrictions but also upon the length of time such restrictions remain in force.

It is of interest to follow the sequence of the events which have been associated with the pyramiding of international trade barriers with respect to hogs and hog products since the beginning of the current business depression. On the whole, there has been a tendency for the principal types of governmental intervention to be adopted in the following chronological order, each type being prompted to a considerable degree by the preceding one: (1) Import duties and sanitary regulations, (2) export bounty schemes, (3) import quotas, and (4) production control schemes. This is best illustrated by restating briefly some of the events in Europe since 1930.

Prior to 1930 the principal foreign outlet for hogs and hog products in Poland was in Germany, Czechoslovakia, and Austria. As a result of reduced consumer purchasing power and difficulties in exchange transactions in the latter countries, embargoes and higher import duties were adopted in order to limit shipments of hogs and pork from Poland. With these outlets greatly restricted, Polish authorities sought to improve the market outlet for Polish cured pork in Great Britain, and to aid in this accomplishment export premiums on hog products were increased sharply. Because of similar difficulties in disposing of surplus hog products, export bounty systems also were established in the Baltic countries.

These stimulants to pork exports increased further the large movement of pork to Great Britain and as a result of the large supplies, together with continued declines in consumer buying power, British pork prices declined to extremely low levels. This unfavorable situation caused much agitation for some form of relief for British hog producers. It was evident by midsummer of 1932 that Great Britain was going to take steps to restrict imported pork supplies, and in November 1932 the quota system was put into effect. By this time the desirability of more effective measures than those adopted previously in various countries had prompted an increased interest in plans for controlling production. In the autumn of 1932 the Netherlands plan for controlling production was put into operation. Furthermore, the difficulties experienced by Denmark in keeping

within the restricted quota of exports to the United Kingdom resulted in the enactment of legislation for curtailing Danish hog production.

Varying circumstances surrounding the situation in each of the countries involved in the international pork and lard trade have resulted in widely differing developments as to the trade barriers established. The sequence of events described above, therefore, falls far short of a description of developments in all countries. However, they illustrate that the general tendency has been for the forms of governmental intervention to become more drastic as the severity of the depression has increased and that the need for more drastic action has been due in part to previously adopted governmental regulations.

CHAPTER X

TOBACCO

Prices in the United States for practically all types of tobacco have declined drastically during recent years. A part of the declines have been due to reduced outlets in foreign countries resulting from trade restrictions.

The production of tobacco in the United States represents about 30 percent of the total production of the world, exclusive of China. Tobacco exports from this country probably represent more than one third of the total exports of all countries. Usually from 40 to 50 percent of our production is exported, principally as unmanufactured tobacco, to approximately 100 different countries.⁴ During and immediately following the war, approximately 12 percent of the total volume of exports, on a leaf-equivalent basis, was manufactured, chiefly in the form of cigarettes, and chewing and smoking tobacco. Since then, however, exports of manufactures have declined and recently have represented only about 5 percent of the total, or roughly the same proportion as before the war. In 1931-32, manufactures were only 2.5 percent of the total exports. (Table 26.)

In analyzing the factors affecting the exports of American tobacco it is necessary to keep in mind the following facts concerning the tobacco industry.

(1) From the beginning, leaf-tobacco production has been highly localized. Not all countries have been able to grow the crop successfully, and areas suited to the production of tobacco of one type usually are not suited to the production of a different type.

(2) Practically no country is self-sufficient in production. Most manufacturers have established blends in which several kinds of leaf are used, some of which usually are imported. In the United States, for example, where 25 separate types of tobacco are produced, about 10 percent of the leaf used in manufacture is imported from approximately 25 different countries.

(3) Types of tobacco grown in each country and locality usually differ materially from those of other nations and localities; hence, the prices seldom have clearly established relationships between them. For this reason it is not possible to show definitely how much effect trade restrictions have had upon prices paid to growers in the United States.

(4) In most tobacco products the leaf has been aged from 1 to 3 years or more before manufacture. Thus, large stocks normally are kept on hand. As a rule, new supplies are purchased at about the same rate that old stocks are used up, but the replacements may not

⁴ In addition, small shipments are made to the noncontiguous possessions of the United States in the form of both leaf tobacco and manufactures.

be made immediately. In periods of increasing consumption the need for larger stocks causes imports to exceed manufactures, whereas in periods of declining consumption the need for reducing stocks allows imports to fall below manufactures.

(5) The consumption of tobacco products is distinctly habit-forming. Persons accustomed to given kinds and rates of consumption are slow to change. With major changes in prices of products or drastic reductions in income, however, individuals may modify their consumption habits considerably.

(6) With its relatively stable rate of consumption, tobacco has become a popular source of public revenue in nearly all parts of the world. The burden of taxation is heaviest upon the more popular forms for consumption, such as cigarettes; in many countries one half or more of the retail price to consumers represents import tariffs and excise taxes. Tobacco and its products recently have been providing from 12 to 15 percent of the total Federal revenue of the United States. The proportion of revenues obtained from this source in other countries also is large.

TABLE 26.—*Tobacco: Domestic production and exports of the United States, 1909-10 to 1931-32*

Year beginning July 1	Total domestic production	Total exports converted to farmers' sales weight basis ¹			Exports as a percentage of production
		Unmanufactured tobacco	Manufactures (leaf equivalent)	Total exports	
	Million pounds	Million pounds	Million pounds	Million pounds	Percent
1909-10	1,055.1	396.9	14.4	411.3	39.0
1910-11	1,103.4	394.8	13.3	408.1	37.0
1911-12	905.1	422.0	15.1	437.1	48.3
1912-13	962.9	465.3	15.9	481.2	50.0
1913-14	953.7	499.7	18.0	517.7	54.3
1914-15	1,034.7	387.1	17.0	404.1	39.1
1915-16	1,062.2	492.5	18.4	510.9	48.1
1916-17	1,153.3	457.3	35.2	492.5	42.7
1917-18	1,249.3	321.3	46.8	368.1	29.5
1918-19	1,439.1	699.2	72.1	771.3	53.6
1919-20	1,444.2	720.0	85.8	805.8	55.8
1920-21	1,509.2	562.8	62.6	625.4	41.4
1921-22	1,004.9	514.9	45.3	560.2	55.7
1922-23	1,254.3	504.9	43.4	548.3	43.7
1923-24	1,517.6	664.0	45.5	709.5	46.8
1924-25	1,244.9	478.5	36.7	515.2	41.4
1925-26	1,376.0	596.9	32.1	629.0	45.7
1926-27	1,289.3	573.8	32.5	606.3	47.0
1927-28	1,211.3	544.4	31.7	576.1	47.6
1928-29	1,373.2	628.8	39.5	668.3	48.7
1929-30	1,537.2	666.9	23.8	690.7	44.9
1930-31	1,647.2	656.7	15.8	671.8	40.8
1931-32	1,604.4	480.4	11.3	491.7	30.6

Compiled from records of Division of Crop and Livestock Estimates and official reports and records of the U.S. Department of Commerce.

¹ Does not include shipments to noncontiguous possessions. In recent years these have aggregated approximately 5,000,000 pounds divided about equally between leaf and manufactures. Conversions to farmers' sales weights have been made upon the assumption that 10 percent of the farmers' sales weight is lost in redrying and preparing the tobacco for export.

CHARACTER OF THE UNITED STATES EXPORT TRADE

This report will consider separately the different types of tobacco produced in the United States and attempt to show the effect of trade restrictions upon the outlets for each. This is because of the

wide differences in the character and uses of the separate types and because of the varying influences of trade restrictions and other factors upon their respective production and prices. Figure 15 shows the course of season average prices in the United States, by types and type groups, for the period 1909 to 1931. It will be observed that great disparities frequently have occurred in the price movements of these groups, indicating the varying relationships between them and emphasizing the need for separate treatment in the analysis.⁵ The production for each group is shown in table 27.

The principal types of tobacco exported from the United States are flue-cured, dark fire-cured, dark air-cured, and Maryland. In the years before the World War the dark types apparently represented the bulk of export shipments, but in recent years exports of flue-cured tobacco have been the most important. The export data

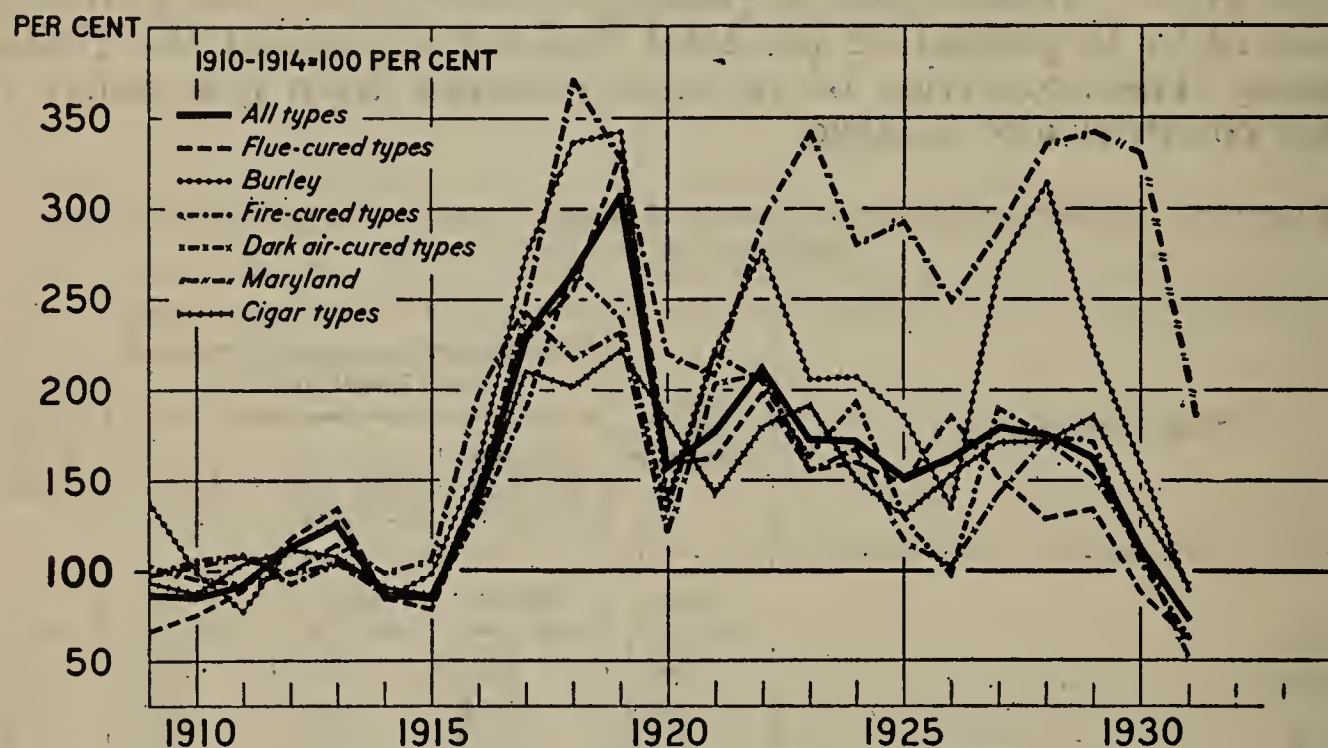


FIGURE 15.—TOBACCO: PRICES IN THE UNITED STATES, BY TYPES AND TYPE GROUPS, 1909-31.

Prices received by farmers in the United States for tobacco have fluctuated greatly since 1909. Some of these fluctuations have been due to changes in the general price level, as they have followed similar movements in the prices of other commodities, but most of them have resulted from varying relationships between available supplies and the combined influences of foreign and domestic demand.

were not separated as to type, prior to 1923. The share of the production of the various types exported in recent years has been approximately as follows: dark air-cured, from one fifth to two fifths; flue-cured, Virginia fire-cured, and Maryland, from one half to two thirds; Kentucky-Tennessee fire-cured, from two thirds to four fifths. Burley and the cigar types are practically all used in this country. (See fig. 16 and table 28.)

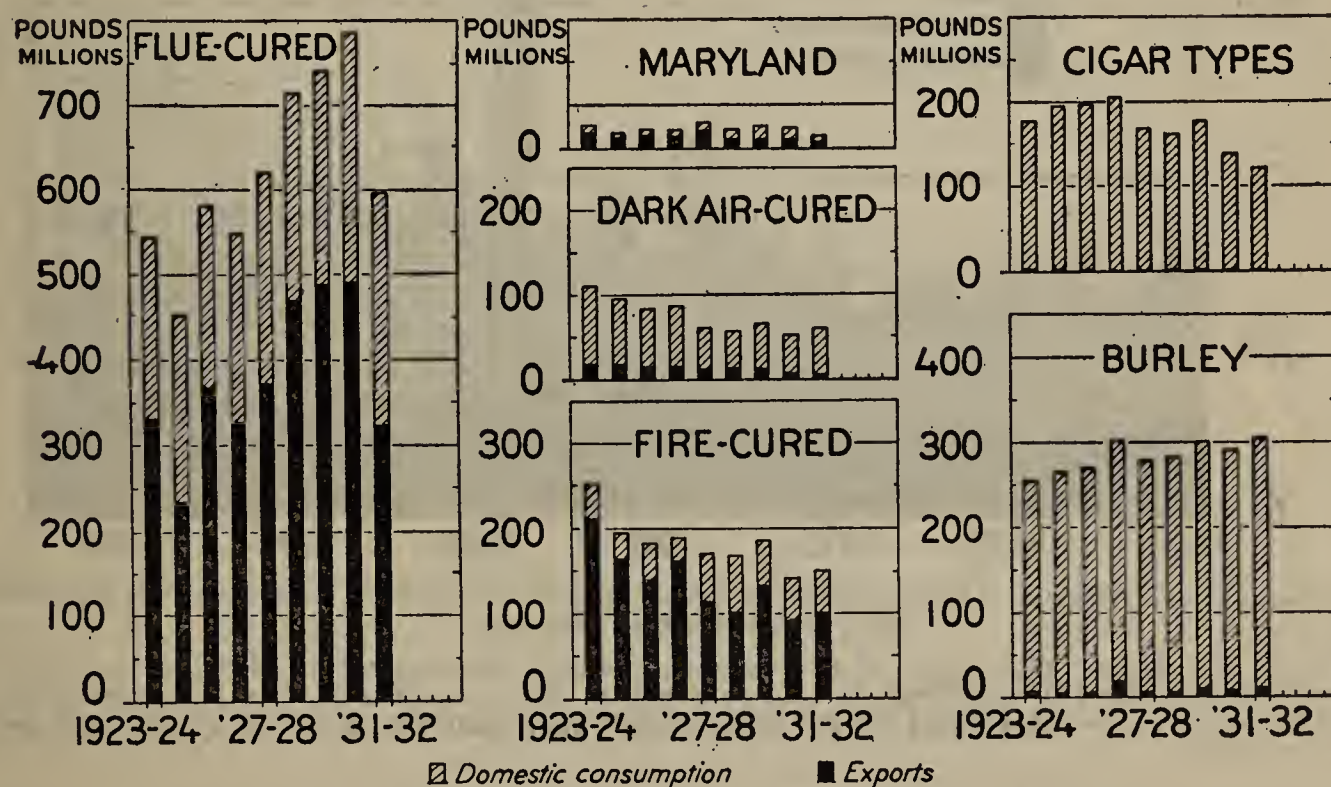
Most of the exports of American-grown tobacco have always been taken by the countries of Europe. The United Kingdom has long been the largest individual buyer. Prior to and during the World War, continental Europe took most of the remaining exports, but since that time the aggregate shipments to these countries have

⁵ Had the chart been made to show prices for each of the 25 types these disparities would have been even more pronounced. For purposes of this report it was necessary to group certain types, hence prices are shown on the basis of these groups.

TABLE 27.—*Tobacco: Production in the United States, by classes and types, 1909–1932*

Year	Flue-cured	Dark fire-cured		Dark air-cured ²	Burley	Maryland	Cigar	Miscellaneous ³
		Virginia	Kentucky and Tennessee ¹					
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1909.....	222.5	62.8	135.7	107.2	255.4	17.8	196.0	7.7
1910.....	206.8	64.0	165.6	118.3	273.9	20.7	202.2	51.9
1911.....	176.2	51.0	132.9	91.7	174.8	19.1	218.1	41.3
1912.....	187.5	49.5	141.2	110.4	196.1	17.2	231.0	40.0
1913.....	282.8	58.4	139.0	84.9	176.8	18.5	183.3	10.0
1914.....	275.4	37.0	133.7	113.9	224.7	17.6	215.8	16.6
1915.....	312.0	54.6	157.0	110.9	217.3	16.3	183.8	10.3
1916.....	263.3	53.8	176.8	145.3	257.0	19.6	224.6	12.9
1917.....	358.8	51.5	190.4	144.2	251.5	22.6	218.6	11.7
1918.....	487.1	60.2	153.0	141.9	312.0	26.6	245.1	13.2
1919.....	476.9	29.8	257.5	134.7	300.3	19.6	219.6	5.8
1920.....	616.0	45.7	195.0	110.2	287.7	27.1	223.4	4.1
1921.....	358.8	24.7	145.7	66.9	175.7	18.6	212.6	1.9
1922.....	415.4	49.2	201.0	117.5	276.4	20.0	172.2	2.6
1923.....	580.7	43.7	217.7	120.3	340.4	21.4	191.2	2.2
1924.....	437.3	43.2	170.7	92.2	295.8	24.5	179.9	1.3
1925.....	575.1	42.0	168.7	92.3	277.8	24.7	194.5	.9
1926.....	560.1	43.8	145.0	78.4	288.8	26.0	146.5	.7
1927.....	718.8	26.5	86.9	36.7	176.2	26.2	139.0	1.0
1928.....	739.1	21.9	114.6	43.9	269.1	20.5	162.9	1.2
1929.....	749.7	22.8	164.5	61.4	342.2	24.8	169.4	2.4
1930.....	864.3	23.3	143.0	61.0	357.7	18.7	178.3	.9
1931.....	665.0	28.3	162.5	75.9	454.2	29.6	187.2	1.7
1932 ⁴	362.0	14.6	113.0	42.0	344.2	22.8	134.0	.7

Compiled from records of Division of Crop and Livestock Estimates.

¹ From 1909 to 1918 includes types 22 and 23; after 1919 type 24 also included.² Includes types 35, 36, and 37. Prior to 1919 type 24 also included.³ Prior to 1919 probably includes some tobacco not classified as to type.⁴ Estimated, December 1932, Division of Crop and Livestock Estimates.

*TOTAL DISAPPEARANCE LESS CALCULATED GREEN WEIGHT OF EXPORTS

FIGURE 16.—TOBACCO, UNMANUFACTURED: TOTAL DISAPPEARANCE, DOMESTIC CONSUMPTION, AND EXPORTS, 1923-24 TO 1931-32.

Following the World War the exports of flue-cured tobacco began to increase at a pronounced rate, whereas the exports of most other types began to decline. In the 5-year period, 1927-28 to 1931-32, exports accounted for about two thirds of the United States disappearance of all flue-cured and fire-cured tobacco, around 55 percent of Maryland, 25 percent of dark air-cured, 3 percent of Burley, and 2 percent of the cigar types. (Chart based upon estimates subject to revision.)

shown some decline. Exports to Asia, particularly to China, have increased greatly during recent years and the exports to other countries have increased to some extent (fig. 17).

TABLE 28.—*Tobacco: Exports from the United States, by classes and types, 1923-24 to 1931-32*

Crop year beginning Oct. 1	Flue- cured ¹	Dark fire-cured		Dark air- cured	Burley	Mary- land ²	Cigar	Miscel- laneous ³
		Virginia	Kentucky and Ten- nessee					
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1923-24.....	266.0	27.4	167.1	16.2	7.7	19.2	1.5	44.9
1924-25.....	207.5	25.7	125.3	16.8	6.0	13.7	.7	20.8
1925-26.....	324.4	19.3	110.0	14.4	5.8	12.3	.7	19.4
1926-27.....	288.7	22.0	128.4	14.2	18.1	18.8	.6	9.7
1927-28.....	328.9	21.2	84.7	11.5	7.1	12.6	.6	7.1
1928-29.....	411.8	18.1	75.4	12.8	6.1	13.1	4.4	6.1
1929-30.....	429.9	18.1	104.5	12.1	9.7	7.8	4.2	8.3
1930-31.....	432.7	11.8	74.1	7.2	8.7	10.5	3.7	7.7
1931-32.....	285.5	13.3	82.4	5.3	11.0	8.5	.8	9.7

Compiled from official reports and records of the U.S. Department of Commerce.

¹ Year beginning July 1.

² Includes small quantities of miscellaneous type grown in eastern Ohio.

³ Does not include stems, trimmings, and scrap. From 1923-24 to 1925-26 some tobacco not classified as to type is included; after that date, only Black fats (a rehandled form of the dark types) and Perique are included.



FIGURE 17.—TOBACCO, UNMANUFACTURED: EXPORTS FROM THE UNITED STATES, BY COUNTRIES, 1900-32.

Before the World War most of the unmanufactured tobacco exported from the United States went to the United Kingdom and continental Europe. The United Kingdom still is the largest importer of United States tobacco, but in recent years China has ranked as a close second.

FOREIGN RESTRICTIONS AND OTHER FACTORS AFFECTING THE TRADE

Possibly in no other commodity has governmental intervention in trade and consumption been carried so far as in the case of tobacco. This intervention, embodied in monopoly control and revenue-taxation measures, is of such long standing that it has come to be

accepted as a normal Government function and the public generally does not take cognizance of its far-reaching influence upon international trade.

Trade restrictions affecting tobacco may be classified broadly into two groups, depending upon whether they affect the production of leaf tobacco in foreign countries or whether they affect the consumption of tobacco products. Those that affect production include import duties, monopoly policies with respect to the prices of domestic-grown leaf tobacco, and other forms of Government influence upon individuals who otherwise would not produce tobacco. The restrictions affecting consumption of tobacco products include import duties, excise taxes, and monopoly policies with respect to the prices and content of tobacco products.

In countries in which the tobacco industry is operated as a State monopoly, the monopolies control the acreage, prices, and purchases of leaf tobacco as well as the manufacture, prices, and sales of tobacco products. Under monopoly control the content of tobacco products may be changed arbitrarily, and prices of both leaf tobacco and tobacco products may be so adjusted as to result in the displacement of large quantities of imported tobacco within relatively short periods.

FACTORS AFFECTING PRODUCTION AND CONSUMPTION

During the period 1920-29 there was a marked increase in the production of leaf tobacco in Europe, in the colonies of the British Empire, and in China. This increase came about largely because the several countries desired to be more nearly self-sufficing with respect to tobacco and because of the willingness of governments and private capital to subsidize the growing of tobacco.

Meanwhile consumption of tobacco products increased materially. With respect to the different classes of products, consumption changes differed from country to country, but in general there was a marked increase in the use of cigarettes, a small increase in cigars, and small declines in most other tobacco products.

These changes came about largely because of an increased consumer demand for cigarettes, but partly because of a lowering of the quality of the smoking mixtures by substituting domestic-grown tobacco for types formerly imported from the United States.

Increased quantities of domestic and colonial-grown tobacco were used in European countries to displace United States fire-cured, dark air-cured, and Maryland tobacco in the blends. In the case of Maryland substitutions of other tobacco were made largely because of the high prices prevailing for this type. These high prices were due in part to the rather limited production area and the larger demand for purposes of blending with other tobacco in cigarettes in the United States. Declines in the consumption of fire-cured and dark air-cured types were largely the result of substitutions of European and British Empire tobacco, due in large part to trade restrictions. To a small extent they resulted from declines in the consumption of products in which these types have been used.

The fire-cured and dark air-cured types have been used largely in pipe mixtures, low-priced cigarettes, chewing tobacco, and snuff. All these products are consumed largely by persons who have low in-

comes. In the monopoly countries domestic-grown leaf was substituted arbitrarily in these products, and in some cases no similar products were offered at prices within the reach of these low-income groups. In the nonmonopoly countries import duties and preferential rates were used to encourage the substitution of other types of tobacco.

The consumption of flue-cured tobacco from the United States increased during this period. The United Kingdom and China made the greatest increases, and countries like Australia, Japan, and the Dutch East Indies also enlarged their takings. The flue-cured types are used largely for the manufacture of cigarettes and high-priced smoking mixtures; cigarettes enjoyed a growing public favor during this period and both products are consumed largely by the higher-income groups. Thus, although flue-cured tobacco was subject to the

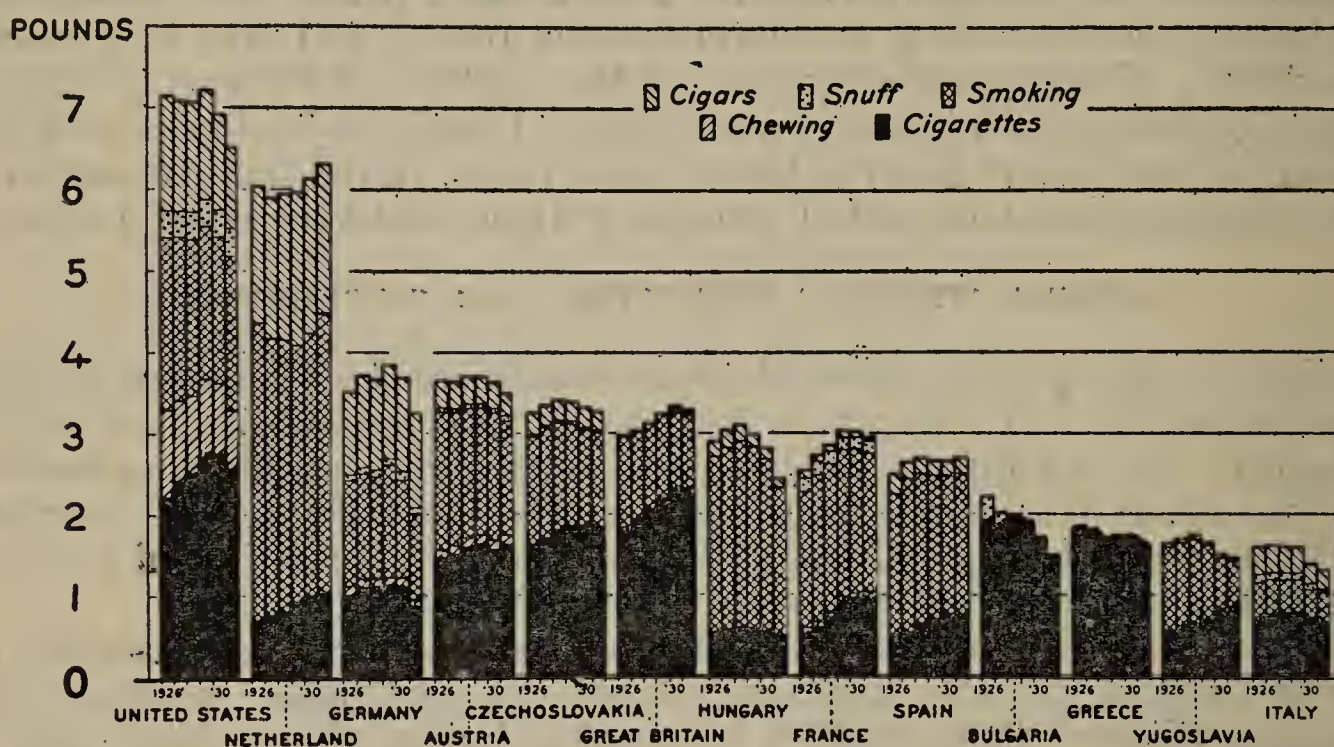


FIGURE 18.—TOBACCO PRODUCTS: CONSUMPTION PER CAPITA IN THE UNITED STATES AND SELECTED EUROPEAN COUNTRIES, 1926-31.

The per capita consumption of tobacco products in important European countries increased about 2.5 percent a year from 1926 to 1929, largely through increased use of cigarettes. Little change was shown in the average in 1930, but in 1931 it declined to approximately the level of 1926. Incomplete reports for 1932 indicate declines of 2 to 5 percent in most countries.

same general restrictions as the other types, imports continued to increase, though it is true that the consumption of these types apparently was slightly lower than it would have been without trade restrictions.

From 1930 to 1932 the production of tobacco in foreign countries continued to expand. European and British Empire countries continued their efforts toward self-sufficiency, and Australia enacted several new measures designed to make that country more independent of foreign supplies. The production of flue-cured tobacco in China reached a record level during these years.

Consumption of practically all classes of products declined, the declines being largest for cigars and high-priced cigarettes. (Fig. 18.) These declines were due chiefly to the reduced purchasing power of consumers and to higher prices of tobacco products resulting from revenue-taxation measures. All important types of tobacco from the United States were adversely affected by the declines.

The consumption of dark air-cured and fire-cured tobacco declined largely because of further substitutions of home-grown and colonial-grown tobacco in the products in which they were used, as a result of trade restrictions. A part of the decrease in these types, however, resulted from diminished European consumption and exports of the principal products in which they were used. The continued high prices for Maryland tobacco led to further substitutions of European-grown tobacco for that type. Flue-cured consumption declined largely because of reduced consumption and exports of cigarettes in which these types are used, but also to some extent because of increased substitution of other tobacco resulting from trade restrictions.

IMPORTANCE OF RESTRICTIONS IN IMPORTING COUNTRIES

In attempting to ascertain the particular countries in which trade restrictions have caused reduced consumption of tobacco from the United States the countries have been classified with respect to the relative importance of production and consumption. Where available data indicate that trade restrictions have been effective, the nature of such restrictions is briefly indicated. A more detailed discussion of the development of these restrictions is presented later, together with estimates as to their effect upon the consumption of tobacco from the United States.

For reasons suggested previously this analysis is confined chiefly to European countries,⁶ but other important countries are considered. Following the above classification, based upon the relationship between production and consumption, the countries of Europe have been divided into four groups:

(1) Little or no tobacco produced domestically: The United Kingdom, the Irish Free State, the Netherlands, Norway, Sweden, Denmark, Austria, Portugal, Finland, Lithuania, and Estonia.

(2) Domestic production provides a portion of the quantity consumed: Germany, France, Spain, Belgium, Poland, Czechoslovakia, and Switzerland.

(3) Production approximately equal to consumption: Italy, Yugoslavia, and Rumania. Each of these countries imports some types of tobacco and exports other types.

(4) Production considerably in excess of consumption: Greece, Turkey, Bulgaria, and Hungary.

Considering the first group as a unit it appears that, except in the United Kingdom, trade restrictions other than depreciated currencies and revenue-taxation measures have not resulted in a reduction of tobacco imports from the United States. In the United Kingdom preferential import duties on Empire-grown tobacco have been in effect since 1919. The present differential of 2s. 01½d. per pound (approximately 50 cents at par), in effect since July 1925, amounts to about 23 percent of the full duty. These preferences have resulted in the displacement of considerable quantities of tobacco from the United States by that grown in the British Empire. In Sweden and

⁶ Estimates and conclusions for the European countries were supplied by J. B. Hutson, tobacco marketing specialist of the United States Department of Agriculture, Berlin, Germany.

Austria, where State monopolies have control over the tobacco industry, there has been no evidence that policies in respect to purchases have shown any preferences among individual countries. In each of the other countries in this group import and excise duties are levied on tobacco and tobacco products but it does not appear that preferential rates have been in effect in any of these countries.

In the group of countries in which domestic production provides a portion of the quantity consumed, trade restrictions have resulted in the displacement of tobacco from the United States in France, Spain, Poland, Czechoslovakia, and Germany. Government monopolies have control of tobacco production in each of the first four of these countries, and operating policies have been such as to bring about expansion of production, particularly in Spain, Poland, and Czechoslovakia. Prices paid growers for tobacco have been somewhat higher in each country than those at which tobacco of similar quality could be purchased in outside markets. In making purchases in foreign countries apparently no preference has been shown. In Germany displacements of tobacco from the United States by domestic-grown types have resulted from higher import duties on tobacco and tobacco products, and, in some cases, differential rates of excise taxes favoring products in which domestic-grown tobacco is used. In Belgium and Switzerland trade restrictions other than revenue measures appear not to have affected materially the takings of tobacco from the United States during recent years. In Belgium the import duty is low and there is a tax on tobacco production. In Switzerland, although the rates of duty vary in accordance with the use of tobacco, the particular rates applying to tobacco imported from the United States are lower than those applying to most of the tobacco imported from other countries.

Each of the countries in the third group—Italy, Yugoslavia, and Rumania—has a tobacco monopoly. In Italy, where until recent years large quantities of tobacco have been imported from the United States, extensive displacements have been made by domestic-grown tobacco. Prices paid to growers for these types have been somewhat higher than those at which similar tobacco could be purchased in outside markets, and production has increased greatly. No large quantities of tobacco from the United States have ever been consumed in the area within the present boundaries of Yugoslavia and Rumania.

Of the countries listed in the fourth or surplus-producing group monopolies are in operation in Turkey and Hungary. No large quantities of tobacco from the United States have been consumed in any of these countries in recent years, and it is not likely that large quantities would be used if the industry in each country were on a freely competitive basis.

It will be noted that Russia was not included in the above classification. No large quantities of tobacco from the United States have been imported into Russia during recent years, and exports from Russia to other countries apparently have not displaced any considerable quantities of tobacco from the United States. During the next few years it is possible that Russian exports to some European countries may increase sufficiently to displace some of the lower grades of dark air-cured and fire-cured tobacco from the United States.

Outside of Europe the principal countries importing tobacco from the United States are China, Japan, the Dutch East Indies, Australia, and Canada. Trade with some of the colonies of British and French Africa also is important, particularly with respect to dark tobacco in the form of both raw leaf and rehandled⁷ tobacco. Imports of United States flue-cured tobacco into New Zealand have increased materially in recent years, but still represent only from 1,000,000 to 2,000,000 pounds annually. South American imports from the United States also have been relatively insignificant, being confined mostly to small though regular purchases of fire-cured tobacco by Argentina.

For the Dutch East Indies and the British and French Colonies of Africa data have not been adequate to determine definitely whether trade in tobacco from the United States has been influenced by governmental restrictions. Available information indicates that the influence of the depression itself, rather than direct action by the Governments, has been the principal factor affecting imports. Exports to these countries during the last 5 years have represented about 5 percent of the total volume of exports from the United States.

In Japan the tobacco industry is controlled by a monopoly. Domestic manufacture provides nearly all the products consumed, and approximately 90 percent of the leaf is produced within the country. Of that imported, more than half is obtained from the United States. Total tobacco acreage in Japan has shown little change since 1920, but the production of American flue-cured types has increased materially.

Canada has no tariff on leaf tobacco imported from other countries, but imports are not permitted except under provisions of the Canadian Excise Act. This act provides for the payment of an excise tax on all foreign tobacco, as contrasted with domestic tobacco, when removed from the warehouse for manufacture.

In Australia the import duty prior to 1929 apparently was more a revenue measure than a protective measure. Beginning in September 1929, however, and subsequently in November 1929, and July and December 1930, the rate of duty was increased until it was deemed adequate to bring about a desired expansion of tobacco production in Australia. This was part of a program fostered by a combination of tobacco manufacturers and Government agencies to make Australia independent of tobacco imports as far as possible.

Imports of American-grown tobacco into China increased from less than 10,000,000 pounds before the World War to an average of around 20,000,000 pounds for the years 1918 to 1921. Beginning in 1922, imports from the United States were greatly increased, and for the period 1928 to 1931 averaged more than 130,000,000 pounds annually, practically all of which was flue-cured tobacco from the United States. The reason for this increase of imports was the rapid growth of cigarette consumption, which increased from an estimated quantity of 7,500,000,000 cigarettes in 1910 to around 75,000,000,000

⁷ A special trade term referring to certain treated forms of dark air-cured and fire-cured tobacco, including "black fat", "water bailer", and "dark African." The treatment usually consists of heating and other processes to blacken the tobacco. For shipments to some of the countries a heavy coating of mineral oil is applied as the tobacco is packed into cases under heavy pressure, hence the name black fat.

in 1931. The domestic production of flue-cured tobacco from American seed, which was introduced into China about 1920, also increased rapidly during this period, and by 1931 had reached between 85,000,000 and 90,000,000 pounds. This apparently was sufficient to supply about one third the Chinese manufacturing requirements. Beginning in 1930, import duties on cigarettes were increased sufficiently to bring about a material reduction in the number imported, but import duties on unmanufactured tobacco have remained low and apparently were levied primarily for revenue rather than protection. The initiative for introducing the production of flue-cured tobacco into China was taken by the large foreign manufactures of cigarettes, and Government agencies gave practically no encouragement to the enterprise. Thus, while the total consumption of tobacco from the United States is less than it would have been without any Chinese production, it does not appear that trade restrictions have had an important part in the displacement.

EFFECTS OF FOREIGN RESTRICTIONS UPON UNITED STATES TRADE

The countries in which restrictions have brought about displacements of tobacco from the United States will now be examined in more detail and estimates made as to the quantity of such displacements.

BASES OF ESTIMATING INFLUENCE OF TRADE RESTRICTIONS

The principal factors that have been considered in estimating the quantities of United States tobacco displaced in the various countries because of trade restrictions are: First, changes in the domestic production of leaf tobacco as determined by comparisons of the production before and after restrictions became effective; second, changes in blends and in the quantity and quality of products sold in a given country compared with such changes in other countries where restrictions have not been operative but where other conditions are similar; third, prices paid to growers for tobacco produced within the country compared with prices for which leaf of similar quality could be purchased in outside markets. As pointed out previously, attempts to compare prices in one country with those in another country often are of limited value and may lead to erroneous conclusions; however, such price data as are available have been used to supplement the other factors. Statistics on all these points are incomplete and subject to error so that it has not been possible in any case to determine the exact quantities of tobacco displaced. For this reason a range of estimates is given.

Types of restrictions considered in making these estimates have been those influencing the substitution of tobacco from other countries for that produced in the United States. These have all operated through expanding production in foreign countries and include such measures as the policies of tobacco monopolies for stimulating new production, rates of excise and import duties giving preference to the use of domestic or colonial-grown tobacco, and import duties high enough to increase domestic production.

In addition to these protective measures, which increase production, are the various revenue measures for taxing tobacco products, which

restrict consumption and thus reduce the volume of world trade in leaf tobacco. In most cases these revenue taxes have been in effect so long that it would be impossible at this time to determine what the quantity of consumption would be without them. Hence, no attempt was made to estimate how much loss in trade they have caused, in addition to that attributed to the factors indicated above.

The estimates are based largely upon data for the years since 1920, because of the disturbing influences of the World War upon trade and consumption of tobacco and because of the limited classification of export data for earlier years. In drawing conclusions, however, account has been taken of pre-war trends of consumption and production in different countries, particularly as regards the position of competing types of tobacco. To indicate the extent to which the influence of the above restrictions may have been an outgrowth of the depression, separate estimates are shown for the periods 1920-29 and 1930-32.

DISPLACEMENTS OF UNITED STATES TOBACCO RESULTING FROM TRADE RESTRICTIONS

It is estimated that from 1920 to 1932 trade restrictions in foreign countries resulted in displacements of tobacco from the United States aggregating between 100 and 150 million pounds annually during the last few years. These restrictions, in the individual countries in which they have been applied, are here considered.

1. *United Kingdom*.—A preference was accorded in September 1919 to Empire-grown tobacco imported into the United Kingdom by the grant of a rebate of one sixth the full duty then in effect. This represented an advantage to Empire-grown tobacco of 1s. 4-5/12d. per pound. In July 1925 the rebate was increased to 2s. 0½d. per pound, or one fourth of the full duty of 8s. 2d. on unstemmed tobacco. The following year the preference was stabilized at this figure for 10 years, beginning July 1, 1926.

The rates of import duty on tobacco were increased April 12, 1927, and again September 11, 1931, the amount of increase in each case being 8d. per pound. The rates on Empire-grown tobacco were advanced by the same amount as the rates on tobacco from non-Empire countries, leaving the rebate unchanged at 2s. 0½d. The Ottawa conference of 1932 made no change in the amount of this rebate but extended the period during which it is to be in effect to 1942. The present duty in terms of United States currency amounts to \$2.31 per pound (with exchange at par), or from 7 to 10 times the cost of most United States types of tobacco when ready for shipment. The rebate to Empire growers (approximately 50 cents at par) is more than twice the usual cost of these types.

The preferential rates resulted in the displacement of considerable quantities of tobacco from the United States prior to 1929. Although the amount of preference since 1929 has not been changed it has resulted in still further displacements. With the higher rates of import duty on all types of tobacco and the lowered purchasing power of consumers, many manufacturers increased the proportion of Empire tobacco in their blends rather than increase the prices of

tobacco products. Then, too, a large number of new blends, made entirely of Empire tobacco, were introduced (fig. 19).

In 1919 almost no Empire-grown tobacco was used in the United Kingdom, and around 90 percent of that consumed was imported from the United States (table 29). In 1929 approximately 29,000,000 pounds of Empire-grown tobacco were consumed, most of which displaced tobacco from the United States.

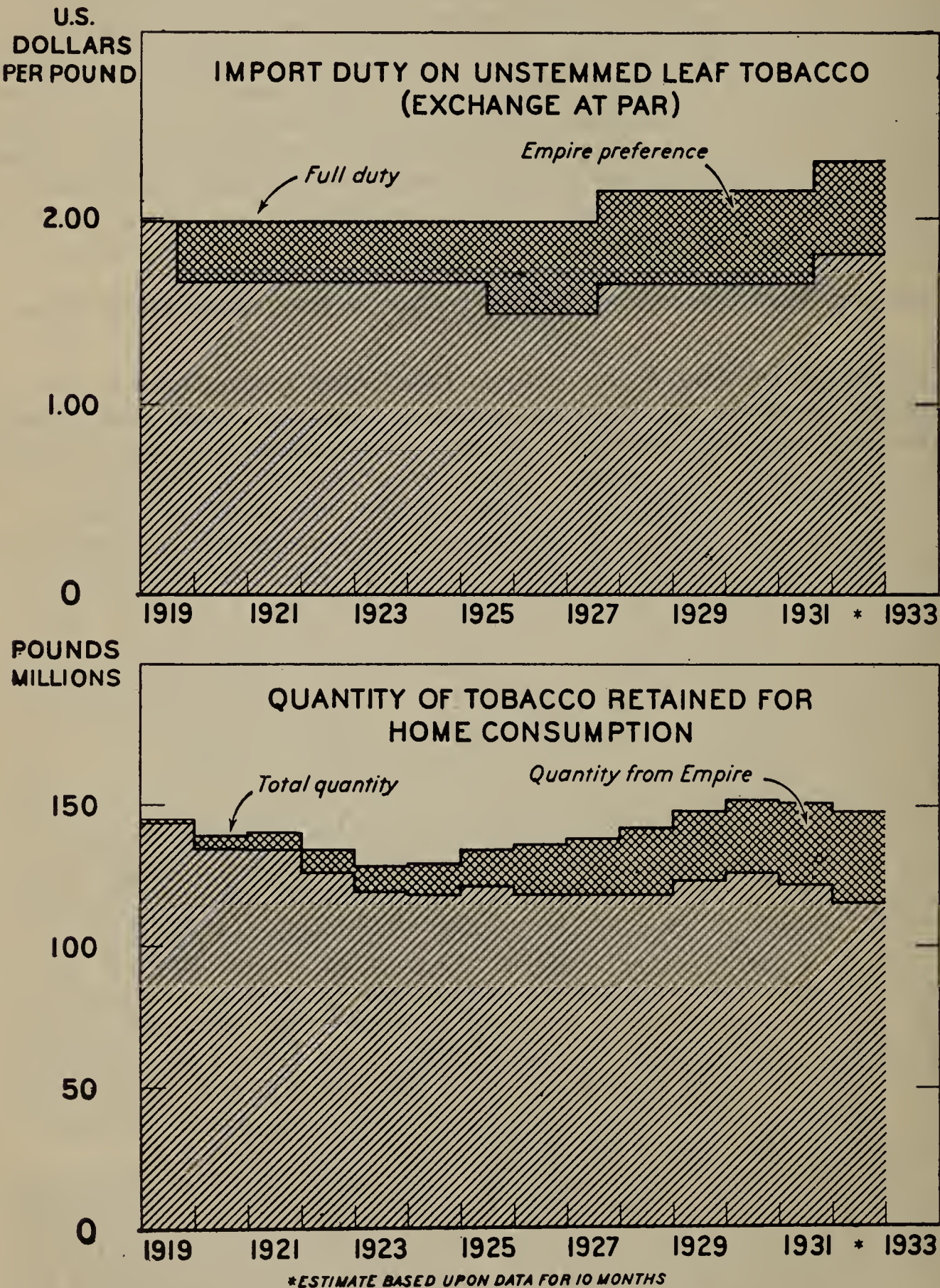


FIGURE 19.—UNITED KINGDOM: TARIFF PREFERENCE AND HOME CONSUMPTION OF TOBACCO GROWN IN THE EMPIRE, 1919-32.

Tobacco imported from British countries has been accorded a preferential rate of duty in the United Kingdom since September 1919. In recent years this preference, now representing 23 percent of the full duty, has had a significant influence upon the consumption of Empire tobacco.

TABLE 29.—United Kingdom: Imports of unmanufactured tobacco from United States, British countries, and other countries, 1909–32

Year	Total	Quantity			Percentage		
		United States	British countries	Other countries	United States	British countries	Other countries
	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent	Percent
1909-----	127.9	114.0	1.0	12.9	89.1	0.8	10.1
1910-----	112.8	99.0	1.5	12.3	87.8	1.3	10.9
1911-----	120.9	104.3	2.1	14.5	86.3	1.7	12.0
1912-----	139.3	121.9	1.8	15.6	87.5	1.3	11.2
1913-----	164.5	142.0	2.2	20.3	86.3	1.3	12.4
1914-----	161.8	139.0	3.1	19.7	85.9	1.9	12.2
1915-----	207.0	184.2	4.4	18.4	89.0	2.1	8.9
1916-----	171.6	152.6	7.3	11.7	88.9	4.3	6.8
1917-----	50.2	40.8	3.7	5.7	81.3	7.4	11.3
1918-----	180.1	164.3	6.9	8.9	91.2	3.8	5.0
1919-----	362.9	315.9	14.0	33.0	87.0	3.9	9.1
1920-----	219.0	177.5	18.2	23.3	81.0	8.3	10.7
1921-----	227.8	214.7	7.5	5.6	94.3	3.3	2.4
1922-----	184.6	166.4	12.7	5.5	90.1	6.9	3.0
1923-----	173.9	155.4	12.9	5.6	89.4	7.4	3.2
1924-----	182.7	156.9	19.1	6.6	85.9	10.5	3.6
1925-----	189.5	163.0	19.0	7.5	86.0	10.1	3.9
1926-----	197.5	161.7	30.1	5.7	81.8	15.3	2.9
1927-----	222.3	177.5	41.3	3.5	79.8	18.6	1.6
1928-----	219.5	172.3	44.3	2.9	78.5	20.2	1.3
1929-----	239.9	205.3	31.7	2.9	85.6	13.2	1.2
1930-----	237.0	197.8	35.3	3.9	83.5	14.9	1.6
1931-----	194.0	157.2	34.3	2.5	81.0	17.7	1.3
1932-----	175.2	125.3	47.9	2.0	71.5	27.4	1.1

Division of Statistical and Historical Research. Compiled from Trade of the United Kingdom, Annual Report in 4 volumes, and Tobacco, a monthly trade journal of the United Kingdom.

These displacements, divided according to type, are estimated to have been as follows: flue-cured, 7,000,000 to 8,000,000 pounds; fire-cured and dark air-cured, largely the Henderson stemming and Green River types, 16,000,000 to 18,000,000 pounds. It is estimated that by 1932 displacements reached 30,000,000 to 34,000,000 pounds, divided as follows: flue-cured, 10,000,000 to 12,000,000 pounds; fire-cured and dark air-cured, 20,000,000 to 22,000,000 pounds.

2. *Germany.*—The import duty on leaf tobacco in Germany was less than 3.3 cents per pound during each year from 1920 to 1925. On August 16, 1925, the rate per pound was increased to 8.6 cents and on December 1, 1930, it was further increased to 19.4 cents. This latter rate is still in effect. Since 1919 preferential rates of excise tax have been granted on fine-cut tobacco containing 50 percent or more of domestic-grown leaf. Beginning January 1, 1930, the excise rate on the mixtures containing 50 percent or more of domestic-grown tobacco was 33 percent of the retail price, compared with 60 percent on other mixtures. The rates were changed toward the end of 1930 and again early in 1931. Regulations as to the width or fineness of cut in these mixtures also were provided with the latter changes. Because of the drastic declines in consumption which followed, these rates and regulations were modified in October 1931, when the present law became effective. At the end of 1932 excise taxes on fine-cut mixtures containing 50 percent or more of domestic tobacco were 38 percent of the retail price, compared with 50 percent of the retail price on other fine-cut mixtures.

The production of leaf tobacco in Germany was increased and maintained at a comparatively high level during the World War

because of difficulties in obtaining tobacco from other countries. Following the close of the war production was gradually reduced until 1923, when approximately 30,000,000 pounds were grown. Since that time production has increased, and in 1928 and later years the annual production has been around 50,000,000 pounds. The 1932 acreage was near the maximum permitted under a decree effective December 1, 1930, providing that the area planted to tobacco in the different Provinces shall not exceed the area grown during one of the crop years 1927, 1928, or 1929. Prices paid to growers have increased materially since the import duty was raised to its present level, and growers' organizations have been requesting measures that will permit further increases in production.

It is estimated that between 3,000,000 and 5,000,000 pounds of fire-cured tobacco, largely of the Clarksville and Hopkinsville type, and between 3,000,000 and 5,000,000 pounds of flue-cured tobacco were displaced by 1929 because of protective import duties and preferential excise rates. The amount displaced by these measures in 1932 is estimated to be from 6,000,000 to 8,000,000 pounds of fire-cured and 4,000,000 to 6,000,000 pounds of flue-cured. A considerable part of the displacement in these types since December 1930 has been due to the substitution of tobacco stems for tobacco leaf, the stems being imported largely from the United States (table 30). The import duty on stems is only about one fourth that on leaf.

TABLE 30.—*Stems, trimmings, and scrap: Exports from the United States to Germany, Netherlands, China, and other countries, 1923-32*

Year	Germany	Nether-lands	China	Other countries	Total
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
1923.....	11.7	5.1	0.8	5.2	22.8
1924.....	9.4	12.7	.9	5.8	28.8
1925.....	1.8	.3	1.0	5.9	9.0
1926.....	3.0	.3	3.2	1.8	8.3
1927.....	.6	.2	1.8	3.0	5.6
1928.....	.2	.7	3.6	3.9	8.4
1929.....	.5	(1)	8.0	2.1	10.6
1930.....	1.0	(1)	14.5	3.2	18.7
1931.....	2.0	.3	12.7	5.9	20.9
1932.....	10.8	2.0	7.0	3.6	23.4

Compiled from official reports and records of the U.S. Department of Commerce.

¹ Less than 50,000 pounds.

3. *France*.—Consumption of tobacco in France is influenced by policies of the French tobacco monopoly. These policies have resulted in an increase in the use of Algerian and French-grown tobacco. Since 1920 domestic production has ranged between 40,000,000 and 60,000,000 pounds annually, and the consumption of tobacco imported from the United States, largely of the Paducah type, has ranged between 35,000,000 and 45,000,000 pounds annually. Prices for domestic-grown tobacco have been somewhat higher than those at which tobacco of similar quality could be purchased on outside markets. For each of the years 1929, 1930, and 1931 the prices paid to French growers for their tobacco averaged from 25 to 75 percent higher than those paid for Paducah fire-cured tobacco imported from the United States.

	Price per pound for Paducah tobacco from United States	Price per pound paid to French growers
	<i>Cents</i>	<i>Cents</i>
1929.....	12	15
1930.....	11	15
1931.....	8	14

The tobacco monopoly of Algeria is closely associated with the tobacco monopoly of France. Definite information is not available as to prices paid to growers in Algeria, but French takings of Algerian tobacco have increased substantially in recent years, from less than 10,000,000 pounds in 1920 to almost 20,000,000 in 1930.

Total consumption of products in which tobacco from the United States is used in France appears not to have changed greatly since 1920. It is estimated that in 1929 between 8,000,000 and 10,000,000 pounds of tobacco from the United States, largely of the Paducah type, would have been used in addition to that which was used, had the industry of France been on a competitive basis without import duties. This displacement resulted from policies of the monopoly with respect to domestic production and purchases in Algeria. The situation had not changed materially by 1932.

4. *Spain*.—The domestic production of tobacco in Spain has increased greatly in recent years, largely as a result of monopoly policies for expansion. Practically no tobacco was grown prior to 1921, and production did not exceed 1,000,000 pounds in any year until 1924. During 1930, 1931, and 1932 production ranged between 12,000,000 and 15,000,000 pounds annually. In recent years prices paid for imports from the United States have ranged from 5 to 10 cents per pound. These have consisted largely of seconds and lugs of the Paducah fire-cured type. During the same period the cost to the monopoly of Spanish-grown leaf has been slightly above 10 cents per pound.

The principal use of tobacco imported from the United States has been in the manufacture of smoking mixtures. The annual consumption of smoking mixtures has increased about 6,000,000 pounds since 1920. The consumption of cigarettes has increased at a corresponding rate and the consumption of cigars at a somewhat lower rate. Imports from the United States from 1920 to 1924 averaged approximately 15,000,000 pounds annually. During 1929, 1930, and 1931 consumption of United States tobacco was about 10,000,000 pounds annually.

In 1929 the consumption of tobacco from the United States apparently was between 4,000,000 and 6,000,000 pounds smaller than would have been true if the industry had been on a competitive basis without import duties. The displacement in 1932 is estimated to be 1,000,000 pounds larger than in 1929.

5. *Poland*.—Tobacco production in Poland prior to 1926 was small, the crop of that year amounting to approximately 5,000,000 pounds. The area was then expanded until in 1929 approximately 20,000,000 pounds were produced. The crop was reduced materially in 1930 but was increased in 1931 and again in 1932. Early estimates for 1932 indicate a production only slightly below that of 1929. This rapid increase of production has been due largely to the policies of the monopoly with respect to imports and prices.

Imports from the United States consist chiefly of fire-cured tobacco of the Clarksville and Hopkinsville type. The quantity of this tobacco used in Poland was reduced from approximately 10,000,000 pounds in 1925 to approximately 5,000,000 pounds in 1929. Preliminary estimates for 1932 indicate a consumption of only about 2,000,000 pounds. Since there has been little change in the consumption of products in which this tobacco is used it is estimated that from 3,000,000 to 5,000,000 pounds were displaced by domestic-grown tobacco in 1929. For 1932 the displacement is estimated at between 5,000,000 and 8,000,000 pounds.

6. *Czechoslovakia*.—The production of tobacco in Czechoslovakia has increased substantially since 1921 when approximately 2,500 000 pounds were produced. In 1929 production had increased to 20,000,000 pounds, and by 1932 it had reached approximately 33,000,000 pounds. Domestic production exceeded imports for the first time in 1931. The principal reason for this increase of production has been the policy of the monopoly with respect to imports and prices. Prices received by growers ranged between 7 and 10 cents per pound during the period indicated.

Imports of tobacco directly from the United States into Czechoslovakia have been extremely irregular, because some of these imports have been shipped first to other European countries and later reconsigned to Czechoslovakia. Therefore, it is difficult to determine the exact quantities of United States types consumed. It is estimated that between 6,000,000 and 8,000,000 pounds of tobacco from the United States, largely fire-cured, were used annually from 1921 to 1923. By 1929 consumption of this tobacco had been reduced to between 1,000,000 and 2,000,000 pounds, and apparently the rate of consumption has not changed materially since that time.

The increased use of domestic-grown tobacco appears to be largely responsible for the reduced takings from the United States, as only small declines have occurred in the consumption of products in which the United States types have been used. It is not believed that any considerable quantities of tobacco would have been grown in Czechoslovakia had it not been for the control measures put into effect by the monopoly. The estimated displacements of tobacco from the United States resulting from these measures was between 5,000,000 and 6,000,000 pounds in 1929, and it has remained near that level since.

7. *Italy*.—Prior to the World War the annual production of tobacco in Italy was between 20,000,000 and 25,000,000 pounds. In 1921 and 1922 production was around 50,000,000 pounds and by 1929 it had reached approximately 105,000,000 pounds. Since 1929 the production has been near this latter figure.

This increase of domestic production has resulted from the control of prices and imports by the monopoly. During most years domestic prices have been above those at which similar tobacco could be purchased in outside markets. Prices for the 3-year period, 1931 to 1933, as announced October 15, 1930, have been well above those at which similar tobacco has sold in outside markets. For Italian-grown Kentucky tobacco, fermented and in bales, the prices set by the monopoly of from 15 to 35 cents per pound are probably from 60 to 100 percent higher than would be the delivered cost of Kentucky tobacco purchased from the United States. It is generally

known that the imported tobacco would have been preferred by consumers.

Before the war approximately 40,000,000 pounds of fire-cured tobacco from the United States, largely the Paducah type, were consumed in Italy. For a few years following the war the annual con-

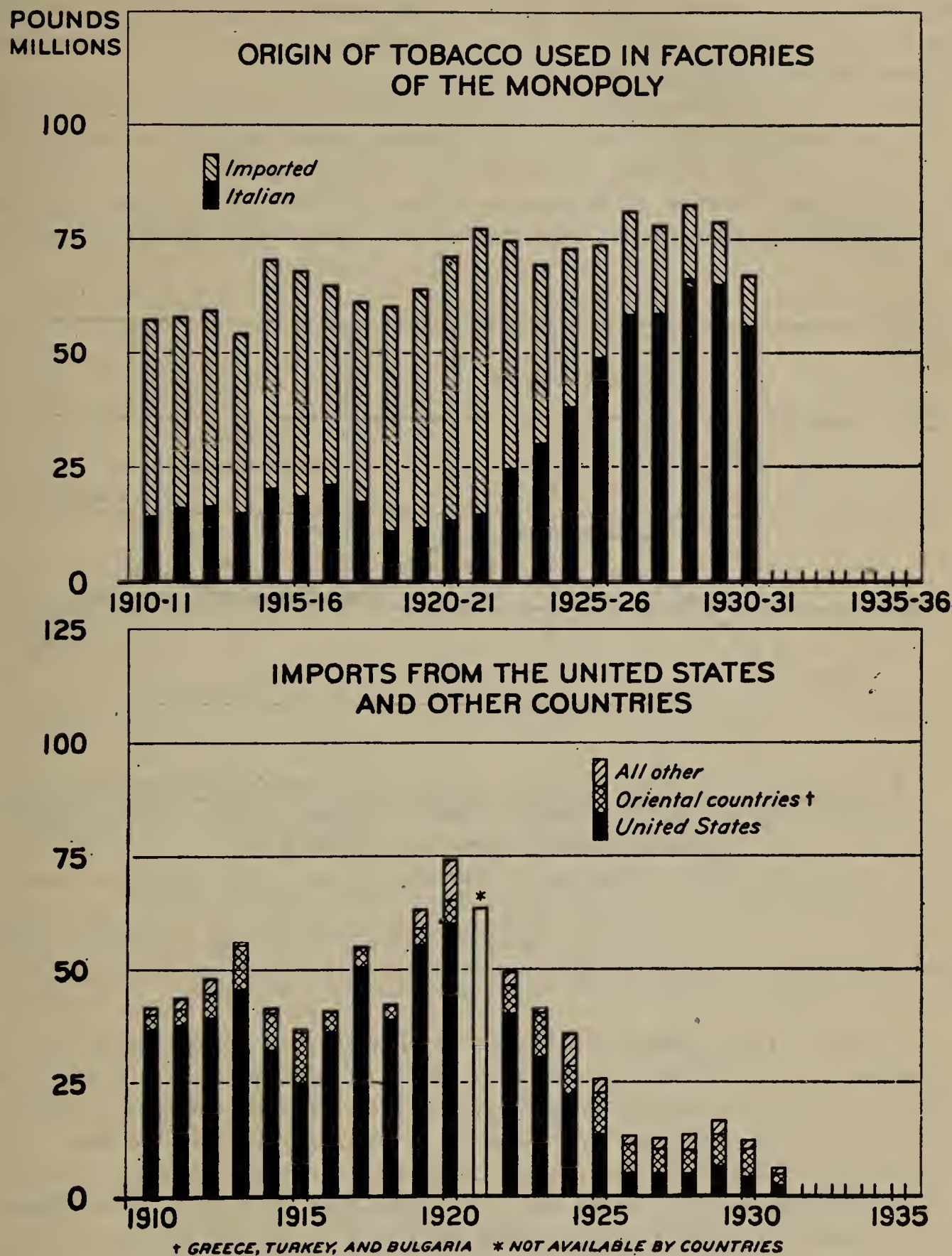


FIGURE 20.—ITALY: INFLUENCE OF CONSUMPTION OF ITALIAN TOBACCO UPON IMPORTS FROM THE UNITED STATES, 1910-31.

Prior to 1922-23 from 75 to 80 percent of the tobacco used in factories of the Italian monopoly was imported, chiefly from the United States. In recent years more than 80 percent has been produced in Italy. The principal part of the reduction of imports has been borne by the United States.

sumption was around 45,000,000 pounds. With the rapid increases in the production of tobacco in Italy imports from the United States were displaced from year to year until in 1929 only about 5,000,000 pounds were used. Consumption of these types in 1932 appears not to have exceeded 2,000,000 pounds (fig. 20).

Most of this decline in the consumption of tobacco from the United States may be attributed to the policies of the monopoly. A part of it, however, has been due to the general decline in the consumption of tobacco products and to recent changes in consumer preferences. The estimated displacement in 1929 resulting from trade restrictions was from 30,000,000 to 35,000,000 pounds, nearly all of which was of the Paducah type. It now appears that displacements in 1932 exceeded slightly those of 1929.

Recently small quantities of Italian-grown Kentucky tobacco have been exported to other countries, through an export organization maintained by the Italian Government. It is possible that some of this may have displaced fire-cured tobacco from the United States, in addition to the quantities estimated for the countries above (fig. 21).

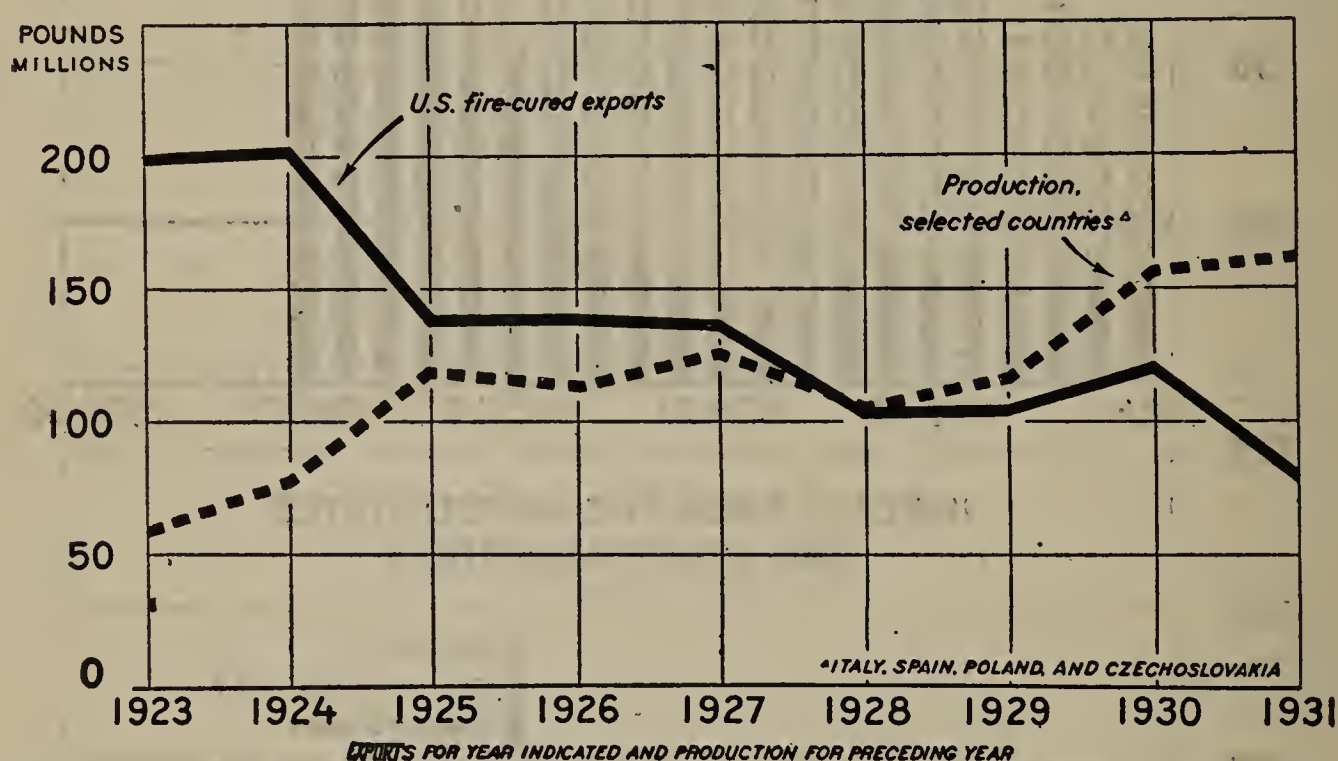


FIGURE 21.—EXPORTS OF FIRE-CURED TOBACCO FROM THE UNITED STATES AND PRODUCTION IN SELECTED EUROPEAN COUNTRIES, 1923-31.

The recent increases of tobacco production in Italy, Spain, Poland, and Czechoslovakia have accounted for most of the reduced exports of fire-cured tobacco from the United States. Only a small part of the fire-cured exports now goes to these countries. In the case of each country, the tobacco industry is controlled by a monopoly.

8. *Japan*.—The tobacco industry in Japan has been controlled by a monopoly since 1904. An import duty of 355 percent ad valorem, effective since 1911, helps to safeguard the effectiveness of this control. Imports each year are kept at a minimum, usually less than 10 percent of total consumption, and are confined chiefly to types required for blending with the domestic-grown leaf. The United States usually supplies more than half the quantity obtained from other countries, with China and Chosen furnishing most of the remainder.

In 1913 the consumption of tobacco products in Japan consisted largely of pipe tobacco, with cigarettes representing only about 25 percent of the total. From 1919 to 1921 cigarettes represented about one half the domestic consumption, and from 1929 to 1931 they repre-

sented about two thirds. The increase in cigarettes since 1920 has been in the flue-cured or "American yellow leaf" types, which in 1931 had become equal in number to the Japan proper types. The consumption of flue-cured tobacco from the United States increased materially from 1920 to 1931, reaching around 10,000,000 pounds annually in the latter part of the period. The domestic production of flue-cured tobacco from American seed also increased greatly during this period, having reached 22,000,000 pounds in 1932. Prices paid growers by the monopoly appear to have been high enough to bring about expansion in production as rapidly as desired.

It is estimated that in 1929 the quantity of flue-cured tobacco from the United States used in Japan was from 8,000,000 to 12,000,000 pounds less than would have been true if the industry had been on a competitive basis without import duties. By 1932 it appears that the substitutions were fully 2,000,000 pounds greater than in 1929.

9. *Canada*.—Tobacco production in Canada increased from around 10,000,000 pounds before the war to the high level of 33,000,000 during the war. Following this, production declined to 13,000,000 in 1921, but increased to 51,000,000 pounds in 1931. Preliminary estimates for 1932 indicate a production of 54,000,000 pounds. Nearly all this increase occurred in southern Ontario, where the production of flue-cured and Burley has been expanding rapidly. The increase in flue-cured production has been especially pronounced, with a crop of 28,000,000 pounds indicated for 1932. Exports have become of some importance in recent years, especially in the case of the United Kingdom, but domestic consumption still provides the outlet for 85 to 90 percent of the production.

Prior to the war most of the leaf tobacco consumed in Canada was imported, largely from the United States. Imports from the United States increased during the war and reached a record level of 20,000,000 to 25,000,000 pounds in the period 1918 to 1922. They have not exceeded 17,000,000 pounds since 1922, although the consumption of tobacco products has continued to increase. In 1931 imports declined to 13,000,000 pounds, and preliminary data for 1932 indicate that takings were only about 9,000,000 pounds.

Thus, the use of Canadian tobacco has increased greatly during recent years. In a report for 1929 it was estimated that 60 percent of all leaf used in smoking mixtures, 40 percent of that used in cigars, and 25 percent of that used in cigarettes was of domestic origin. The percentage of Canadian-grown leaf has increased since 1929, especially for cigarettes and smoking tobacco.

Canadian growers have benefited by trade restrictions in both the domestic and the export markets. At home they have had the advantage of a 40-cent-per-pound differential over imported tobacco, which is subject to a special excise tax when ready for manufacture. In the export market they have had the advantage of the preferential import tariff granted to British countries in the United Kingdom. Prices to growers in Canada, especially for flue-cured tobacco, have been higher than in the United States in recent years. But now that the new area has been developed some flue-cured tobacco doubtless would be produced even if there were no protection.

It is estimated that the quantity of American flue-cured tobacco displaced by Canadian flue-cured tobacco because of the special excise tax in 1929 was from 4,000,000 to 6,000,000 pounds. In 1932 it is estimated that the amount of displacement was from 6,000,000 to 8,000,000 pounds.

10. *Australia*.—Some tobacco has been produced in Australia for the past 75 years. The average annual production for the years 1910-11 to 1913-14 was only 2,300,000 pounds, and for the 10-year period 1919-20 to 1928-29 production averaged less than 2,000,000 pounds. Domestic leaf consumption averaged about 22,000,000 pounds during the latter period, with approximately 95 percent of the imports, largely flue cured, coming from the United States.

The import duty on leaf tobacco to be manufactured into tobacco or cigarettes in Australia was 2s. per pound from 1915 to August 1929. On August 23, 1929, the rate of duty was increased to 2s. 8d. This was followed by further increases in November 1929, and in July and December 1930, until the rate per pound became 5s. 2d. In addition to the import duty a primage duty of 2½ percent ad valorem became effective on July 10, 1930. This duty was increased to 4 percent ad valorem on November 16, 1930, and finally to 10 percent ad valorem on July 11, 1931.

As a result of these acts, tobacco prices increased greatly, and the crop became very profitable to Australian growers. Acreage was increased from 2,200 acres in 1928-29 to 20,200 in 1931-32, and production in the latter year was estimated at 10,880,000 pounds. Such a rate of increase was considered too rapid for the welfare of the industry and on February 26, 1932, the import duty on leaf to be manufactured into tobacco was reduced from 5s. 2d. to 3s. 0d. At the same time, the excise tax was increased from 2s. 4d. to 4s. 6d. per pound. The import duty on cigarette leaf remained unchanged at 5s. 2d. per pound. In 1930-31, manufactured tobacco represented about 70 percent of the product consumed in Australia and cigarettes represented 29 percent.

These trade restrictions have not been in effect long enough to determine how much influence they may have upon imports from the United States. Available data indicate that actual displacements in 1932 probably did not exceed 2,000,000 or 3,000,000 pounds, but it appears that some 6,000,000 or 8,000,000 pounds may be displaced in 1933.

11. *Summary of estimated displacements*.—For the convenience of the reader the estimated displacements are here summarized in tabulated form. It is an interesting fact that nearly one half the estimated displacements took place in countries in which monopolies are in operation.

TABLE 31.—*Summary of estimated displacements by countries and types of tobacco, 1929 and 1932*

Country	Type of tobacco	Estimated quantity displaced		Nature of restriction and manner of operation
		1929	1932	
		<i>Million pounds</i>	<i>Million pounds</i>	
United Kingdom-----	Flue-cured-----	7-8	10-12	Empire-grown tobacco is granted an import duty 2s. 0½d. per pound lower than foreign-grown tobacco. Consumption of Empire-grown tobacco has increased substantially.
	Fire-cured and dark air-cured.	16-18	20-22	
Germany-----	Fire-cured-----	3-5	6-8	Imports are subject to a duty of 19.4 cents per pound and fine-cut smoking mixtures containing 50 percent or more domestic-grown tobacco are granted a preferential excise rate. Domestic production has increased moderately.
	Flue-cured-----	3-5	4-6	
France-----	Fire-cured-----	8-10	8-10	A State monopoly has control of the tobacco industry. Domestic growers are paid prices higher than those at which tobacco could be purchased in outside markets. Consumption of domestic and Algerian tobacco has been increased.
Spain-----	do-----	4-6	5-7	State monopoly. Domestic growers are paid prices higher than those at which tobacco could be purchased in outside markets. Production has expanded materially since 1926.
Poland-----	do-----	3-6	5-8	State monopoly. Domestic growers are paid prices higher than those for which tobacco of similar quality could be purchased in outside markets. Production has expanded materially since 1925.
Czechoslovakia-----	do-----	5-6	5-6	State monopoly. Domestic growers are paid prices higher than those at which tobacco could be purchased in outside markets. Production has increased twelve-fold since 1921.
Italy-----	do-----	30-35	31-37	State monopoly. Domestic growers are paid prices higher than those at which tobacco could be purchased in outside markets. Production began to expand in 1922.
Japan-----	Flue-cured-----	8-12	10-14	State monopoly. Domestic growers are paid prices higher than those at which tobacco could be purchased in outside markets. Flue-cured production has increased greatly since 1920.
Canada-----	do-----	4-6	6-8	An excise tax of 40 cents per pound is levied on foreign-leaf tobacco, with no corresponding rate on domestic tobacco. Flue-cured production has increased tenfold since 1921.
Australia-----	do-----		2-3	High import duties are levied on tobacco, 5s. 2d. per pound on leaf used in cigarettes and 3s. 0d. on leaf used in manufactured tobacco, plus a primage duty of 10 percent ad valorem. Production has increased greatly since 1929.
Total flue-cured-----		22-31	32-43	
Total fire-cured and dark air-cured.		69-86	80-98	
Total all types-----		91-117	112-141	

CONCLUSIONS

The 1931 prices received by growers in the United States for flue-cured, fire-cured, and dark air-cured tobacco were approximately one fifth those received in 1919 and from one third to one half those received in 1929. Prices for most other types of tobacco in the United States also declined during this period, but the declines generally were less severe than for these export types (fig. 15).

Some of the fluctuations in prices of the different types of tobacco have been due to changes in consumer demand and in the general price level, as well as to variations in the quality and abundance of available supplies. For a number of the types, particularly dark air-cured and fire-cured, however, the influence of trade restrictions has been a major factor.

Prices in the United States have been influenced by prospective displacements in foreign countries as well as by displacements already made, since the sale of tobacco by farmers precedes its consumption in manufactured products by 1 to 3 years, or more. Although it is not possible to indicate definitely how much of the recent declines in prices were due to trade restrictions or how much of the declines would be regained if these restrictions were removed, attention is called to some of the factors to be considered.

(1) Over a long period the supply of leaf tobacco is more elastic than the demand. That is, farmers react more promptly than consumers to moderate changes in price. The cost of leaf tobacco in most tobacco products is small compared with manufacturing costs, advertising, profits, and taxes, and manufacturers do not often change blends unless there is a substantial saving from doing so.

(2) The immediate effects of changes in consumption upon price are likely to be greater than the more permanent effects. As a rule, the price changes immediately following an increase or decrease in consumption are determined largely by market conditions at that time, particularly the supply situation and the degree of strength in which the supplies are held. The more permanent price changes, on the other hand, depend largely upon farmers' reactions to the changed situation and the extent to which they modify their production to bring it into line with the new level of consumption.

(3) Conditions such as business activity, industrial employment, and purchasing power of consumers, which are themselves influenced by trade restrictions, may have affected prices paid to growers as much as, if not more than, the changes in consumption caused directly by the trade restrictions. To illustrate, from 1929 to 1932 the European consumption of tobacco from the United States declined approximately 50,000,000 pounds. About one third of this decline is estimated to have resulted from trade restrictions. The remainder was due largely to other factors, to which the trade restrictions contributed, and removal of the trade restrictions would undoubtedly help to regain a large part of the losses due to these factors.

(4) The gains in trade resulting from the removal of restrictions that have been in effect for a considerable period would be less than the losses following their enactment. In other words, if the restrictions were removed, consumption would not be expected to rise to the level at which it would have been had the restrictions not been imposed. When consumers as a group turn from the use of an established blend of products to a new blend they do not soon return to the old blend even though the causes that induced them to turn away from it are removed. Some may never return to the old blend. The new consumers whose habits were formed during this period are slow to change from the products to which they have become accustomed. Thus, considering the nature of the restrictions affecting tobacco and the length of time they have been in operation it appears

that a substantial part but not all the losses caused by them might be regained if they were removed.

(5) For any particular type or group of types of United States tobacco some countries normally take higher-priced grades and qualities than others. Thus, while trade restrictions in 1932 were estimated to have displaced about equal quantities of fire-cured tobacco in Germany and Spain the loss in terms of dollars was much greater in the case of Germany. The value per pound of German imports usually is about twice the value per pound of Spanish imports. Similar comparisons for flue-cured tobacco indicate that the value per pound of imports for the United Kingdom is materially higher than for most other countries.

(6) The importance of trade losses resulting from substitutions of competing types of tobacco has been much greater for fire-cured and dark air-cured than for flue-cured, consequently the regaining of a given quantity of foreign trade for the former would have more influence upon prices than the regaining of a similar quantity of trade for the latter. Estimated displacements in 1932 were from 80,000,000 to 98,000,000 pounds for the fire-cured and dark air-cured types but only 32,000,000 to 43,000,000 for flue-cured. On the other hand, the total annual consumption during the past 3 years has been only about 200,000,000 pounds for fire-cured and dark air-cured, compared with 500,000,000 to 550,000,000 for flue-cured. Thus, foreign displacements were from two fifths to one half as great as the consumption of fire-cured and dark air-cured, but only from about 6 to 8 percent as great as consumption in the case of flue-cured.

CHAPTER XI

FRUIT

In contrast with other agricultural products the trend of fruit exports from the United States has been strongly upward during post-war years. This trend has been due to a marked increase in commercial fruit production in the United States and to increasing demand for fruit in foreign countries. Trade barriers in foreign markets have increased greatly since 1929, but the volume of exports of fresh and dried fruit has continued to increase. Exports of canned fruit, on the other hand, have declined. See table 32.

The continued heavy volume of exports of fresh and dried fruit is explained in part by the decline in fruit prices in the United States, to which foreign trade restrictions have themselves contributed. Probably of greater importance, however, is the fact that the nature of orchard industries is such as to make impossible a quick readjustment to changing demand conditions. Finally, it should be noted that the fruit industries in some sections of the United States have been greatly dependent in the past upon foreign markets as an outlet for small sizes and for certain varieties for which the foreign demand in spite of the trade barriers, has continued to be better than the domestic. For canned fruit the shrinkage of foreign outlets because of reduced purchasing power and increased trade restrictions has led to a sharp curtailment in United States production and export.

It is not practicable in this report to analyze the trade-barrier situation for each of the numerous items entering into the fruit-export trade of the United States. It is proposed to discuss only apples and citrus fruit in detail. But tables 33 to 37 provide, in summary form, information on United States fruit exports and summarize the import restrictions in the principal foreign markets for pears and certain dried and canned fruit.

TABLE 32.—*Fruits: Quantity and value exported from the United States, average 1925-26 to 1929-30, 1930-31, and 1931-32, July to June*

Commodity	Unit	Average 1925-26 to 1929-30	1930-31	1931-32	Average 1925-26 to 1929-30	1930-31	1931-32
Fresh fruit:		<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>	<i>Thousand dollars</i>	<i>Thousand dollars</i>	<i>Thousand dollars</i>
Apples.....	Boxes.....	7,343	12,904	9,466	16,461	24,219	14,220
Do.....	Barrels.....	2,423	2,479	¹ 2,855	12,047	11,777	² 12,339
Apples, total.....	Bushels.....	14,612	20,341	18,031	28,508	35,996	26,559
Pears.....	do.....	1,142	2,693	1,814	4,142	6,614	3,921
Oranges.....	Boxes.....	3,293	3,984	3,534	14,015	13,032	9,118
Grapefruit.....	do.....	701	1,222	1,202	2,884	4,121	2,922
Lemons.....	do.....	258	268	258	1,314	1,164	1,003
Grapes.....	Pounds.....	39,135	49,799	27,613	2,003	2,121	1,385
Berries.....	do.....	11,192	7,903	6,263	1,154	864	464
Peaches.....	do.....	29,133	12,859	10,731	711	491	330
Other fruit.....	do.....	53,431	³ 63,710	41,960	2,044	2,128	1,206
Total fresh fruit....	Tons ⁴	580	789	678	56,775	66,531	46,908

See footnotes on next page.

TABLE 32.—*Fruits: Quantity and value exported from the United States, average 1925-26 to 1929-30, 1930-31, and 1931-32, July to June—Continued*

Commodity	Unit	Average 1925-26 to 1929-30	1930-31	1931-32	Average 1925-26 to 1929-30	1930-31	1931-32
		<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>	<i>Thousand dollars</i>	<i>Thousand dollars</i>	<i>Thousand dollars</i>
Dried fruit:							
Prunes.....	Pounds.....	200,723	296,254	243,935	13,274	14,253	10,166
Raisins.....	do.....	166,183	125,100	122,214	10,741	6,504	7,357
Apples.....	do.....	30,600	38,120	31,557	3,535	3,615	2,446
Apricots.....	do.....	20,694	23,647	37,622	3,503	2,854	3,731
Peaches.....	do.....	6,629	8,482	8,490	722	676	675
Pears.....	do.....	(⁵)	8,037	6,079	(⁵)	640	457
Salad fruit.....	do.....	(⁵)	14,518	15,561	(⁵)	944	876
Other dried fruit.....	do.....	17,669	2,182	2,934	1,688	176	160
Total dried fruit...	Short tons...	221	258	234	33,463	29,662	25,868
Canned fruit:							
Pears.....	Pounds.....	66,402	74,355	71,570	7,054	6,065	4,966
Peaches.....	do.....	85,520	75,763	66,300	7,617	5,818	4,344
Pineapples.....	do.....	44,008	35,308	20,920	4,143	3,238	1,523
Apricots.....	do.....	30,785	19,024	23,161	2,937	1,631	1,608
Salad fruit.....	do.....	(⁵)	31,619	32,202	(⁵)	4,273	3,689
Berries.....	do.....	6,919	5,575	8,882	736	638	827
Apples and sauce.....	do.....	18,107	15,368	16,674	1,028	749	735
Grapefruit.....	do.....	(⁵)	⁶ 16,304	6,649	(⁵)	484	400
Jellies and jams.....	do.....	2,087	1,180	639	400	225	119
Other canned fruit.....	do.....	51,691	14,935	8,186	6,663	1,272	697
Total canned fruit...	Short tons...	153	140	128	30,578	24,393	18,908
Grand total of fruit and fruit prepara- tions.	do.....	954	1,187	1,040	121,016	120,586	91,684

Compiled by the Foreign Agricultural Service, from official records of the Bureau of Foreign and Domestic Commerce.

¹ Includes 111,000 baskets exported from January to June, 1931.

² Includes \$192,000 for baskets, January to June.

³ Includes estimates for miscellaneous fruits for which value only was given; 1930-31, 30,000 tons; 1931-32, 20,000 tons.

⁴ Conversions to short tons made as follows: Apples, 144 pounds to the barrel, 44 pounds to the box or basket; pears, 50 pounds to the bushel; grapefruit and oranges 70 pounds to the box; and lemons 74 pounds to the box.

⁵ Not available.

⁶ Six months, January to June.

TABLE 33.—United States: Fruit crops and the proportion exported, 1922 to 1931

Marketing year	Apples ¹					Pears ¹		Oranges ²		Grapefruit ¹			
	Commer- cial crop	Percent exported	Boxed crop	Percent exported	Barreled crop	Percent exported	Crop	Percent exported	Commer- cial crop	Percent exported	Commer- cial crop	Percent exported	
	Million bushels	Percent	Million bushels	Percent	Million bushels	Percent	Million bushels	Percent	Million boxes	Percent	Million boxes	Percent	
1922-23-----	95.8	5.5	38.1	9.2	57.7	3.1	20.7	3.6	31.2	6.9	7.6	3.4	
1923-24-----	107.8	11.4	49.8	12.4	58.0	10.5	17.8	5.6	34.6	7.6	8.4	3.6	
1924-25-----	84.0	11.4	33.2	15.4	50.8	8.9	18.9	4.4	28.1	7.0	8.7	5.0	
1925-26-----	99.7	11.0	43.0	12.6	56.7	9.9	20.7	6.9	31.3	8.4	7.0	5.8	
1926-27-----	117.4	18.1	44.5	17.5	72.9	18.5	25.2	5.8	35.9	10.1	7.7	8.1	
Average-----	100.9	11.8	41.7	13.4	59.2	10.6	20.7	5.3	32.2	8.1	7.9	5.1	
1927-28-----	78.1	12.0	38.6	14.0	39.5	10.1	18.4	5.6	28.4	9.0	7.5	9.8	
1928-29-----	106.4	19.7	51.0	23.5	55.4	16.2	24.2	6.8	47.3	11.9	10.7	9.1	
1929-30-----	86.5	11.9	39.7	15.1	46.8	9.2	21.2	5.9	29.0	7.5	8.7	9.3	
1930-31-----	101.0	20.0	51.9	23.1	49.1	16.9	25.6	10.5	48.2	10.2	13.3	10.2	
1931-32-----	104.2	17.2	38.4	24.2	65.8	13.0	23.3	7.9	41.4	7.7	11.6	9.6	
Average-----	95.2	16.6	43.9	20.5	51.3	13.3	22.5	7.5	38.9	9.5	10.4	9.6	
Marketing year	Lemons ²		Prunes ¹		Raisins ³		Canned pears ¹		Canned peaches ¹		Canned pineapple ¹		
	Commer- cial crop	Percent exported	Crop	Percent exported	Crop	Percent exported	Pack ⁵	Percent exported	Pack ⁵	Percent exported	Pack ⁵	Percent exported	
	Million boxes	Percent	Thousand short tons	Percent	Thousand short tons	Percent	Thousand cases	Percent	Thousand cases	Percent	Thousand cases	Percent	
	1922-23-----	3.4	4.9	166.0	24.3	237.0	21.5	2,541	38.8	9,160	11.9	4,770	9.2
	1923-24-----	5.2	4.7	135.1	54.5	290.0	14.6	1,829	42.0	7,464	13.5	5,896	8.6
	1924-25-----	4.5	3.4	164.8	52.1	170.0	28.6	2,195	49.1	6,330	18.1	6,826	7.7
	1925-26-----	5.2	5.4	158.0	47.3	200.0	33.3	3,592	43.9	10,457	15.9	8,729	8.6
1926-27-----	5.1	6.7	191.0	45.9	285.0	26.9	3,419	38.7	14,472	11.3	8,940	8.4	
Average-----	4.7	5.0	163.0	44.4	236.4	24.1	2,715	42.2	9,577	13.7	7,032	8.4	
1927-28-----	4.7	4.7	244.7	54.5	300.0	33.0	2,749	38.3	11,150	15.5	8,879	11.5	
1928-29-----	5.6	5.4	226.3	59.5	268.0	41.1	4,315	38.3	14,975	13.5	8,663	11.0	
1929-30-----	5.0	3.5	161.4	44.2	215.0	28.6	4,388	24.9	8,365	17.8	9,210	10.1	

1930-31-----	6.1	4.4	⁶ 282.5	54.1	192.0	32.2	4,266	34.9	13,294	11.4	12,672	5.6
1931-32-----	⁴ 5.2	4.5	238.8	50.4	169.0	33.4	3,690	38.8	8,421	15.7	12,807	3.3
Average-----	5.3	4.5	230.7	53.1	228.8	34.0	3,882	34.6	11,241	14.4	10,446	7.7

Compiled by the Foreign Agricultural Service. Canned fruit packs from Western Canner and Packer.

- ¹ Market year July to June.
- ² Year November to October.
- ³ Year September to August.
- ⁴ Preliminary estimates.
- ⁵ Canned fruit exports converted to cases on the basis of 50 pounds to the case of 24 no. 2½ cans.
- ⁶ Net figure; 21,000 tons not harvested owing to poor demand conditions.

TABLE 34.—*Pears: Import duties as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom (pound—par value, \$4.867; current, \$3.422)	Hundred-weight (112 pounds).	Free-----	4s. 6d-----	Sanitary inspection; certificate required; gold payments suspended Sept. 21, 1931.
Germany (reichsmark—par value, 23.82 cents).	Box, net-----	do-----	\$0.30-----	Sanitary inspection for disease and pests; exchange purchases limited to about 50 percent same month 1931.
	Barrel, net-----	do-----	\$1.10-----	
	100 kilos, net-----	7 marks-----	7 marks-----	
	Box, net-----	\$0.33-----	\$0.33-----	
France (franc—par value, 3.92 cents)	Barrel, net-----	\$1.21-----	\$1.21-----	Sanitary inspection, particularly San Jose scale; certificate required; imports regulated by quota and licenses.
	100 kilos, gross-----	10 or 20 francs ¹ -----	10 or 20 francs ¹ -----	
	Box, gross-----	\$0.13-----	\$0.13-----	
	Barrel, gross-----	\$0.32-----	\$0.32-----	
Netherlands (florin—par value, 40.20 cents)	Ad valorem-----	8 percent-----	10 percent plus 3 percent. ²	Sanitary inspection.
Belgium (franc—par value, 2.78 cents).	100 kilos-----	18 or 150 francs ¹ -----	20.70 or 172.50 francs. ¹	Certificate required affirming freedom from diseases.
	Box, net-----	\$0.83-----	\$0.96-----	
	Barrel, gross-----	\$0.36-----	\$0.42-----	
	100 kilos, net-----	1 crown-----	5 crowns-----	
Denmark (krone—par value 26.80 cents; current, 15.27 cents).	Box, net-----	\$0.05-----	\$0.15-----	Exchange restrictions. Gold payments suspended Sept. 29, 1931.
	Barrel, net-----	\$0.19-----	\$0.55-----	
	100 kilos, net-----	10 crowns-----	20 crowns-----	
	Box, net-----	\$0.54-----	\$0.72-----	
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).	Barrel, net-----	\$1.95-----	\$2.63-----	Gold payments suspended Sept. 29, 1931.
	100 kilos, net-----	30 or 60 crowns ³ -----	36 to 72 crowns ³ -----	
	Box, net-----	\$1.61 or \$3.22 ³ -----	\$1.26 or \$2.52 ³ -----	
	Barrel, net-----	\$5.84 or \$11.67 ³ -----	\$4.58 or \$9.15 ³ -----	
Norway (krone—par value, 26.80 cents; current, 17.52 cents).	100 kilos, gross-----	Free-----	6.3 gold pesos-----	Sanitary inspection. Suspended gold payments Dec. 16, 1929; partial exchange restriction.
	Box, gross-----	do-----	\$0.83-----	
	Barrel, gross-----	do-----	\$2.99-----	
	100 kilos, gross-----	0.80 gold pesos-----	1.20 gold pesos-----	
Argentina (gold peso—par value, 96.48 cents; current, 58.22 cents).	Box, gross-----	\$0.18-----	\$0.27-----	Sanitary regulations.
	Barrel, gross-----	\$0.65-----	\$0.98-----	
	100 pounds-----	\$0.50 ⁴ -----	About \$0.75 ^{5 6} -----	
	Box-----	\$0.25 ⁴ -----	About \$0.33-0.40 ^{5 7} -----	
Cuba (peso—par value, \$1).	Barrel-----	\$0.80 ⁴ -----	About \$1.20-1.50 ^{5 7} -----	Sanitary inspection and marking and packing regulations; prohibited gold exports Oct. 19, 1931.
	100 pounds-----	\$0.50 ⁴ -----	About \$0.75 ^{5 6} -----	
	Box-----	\$0.25 ⁴ -----	About \$0.33-0.40 ^{5 7} -----	
	Barrel-----	\$0.80 ⁴ -----	About \$1.20-1.50 ^{5 7} -----	
Canada (dollar—par value, \$1; current, 83.13 cents).	100 pounds-----	\$0.50 ⁴ -----	About \$0.75 ^{5 6} -----	Sanitary inspection and marking and packing regulations; prohibited gold exports Oct. 19, 1931.
	Box-----	\$0.25 ⁴ -----	About \$0.33-0.40 ^{5 7} -----	
	Barrel-----	\$0.80 ⁴ -----	About \$1.20-1.50 ^{5 7} -----	
	100 pounds-----	\$0.50 ⁴ -----	About \$0.75 ^{5 6} -----	

Compiled by the Foreign Agricultural Service of the Department of Agriculture. Converted to dollars at the prevailing rates of exchange as of Apr. 1, 1933. A box or a basket is considered as weighing 44 pounds, net, or 50 pounds, gross, and a barrel as 160 pounds net and 180 pounds gross.

¹ The smaller rate applies to containers larger than 20 kilos (44 pounds) and the other rate to containers of 20 kilos or less. Boxes and baskets take the largest rate.

² Provisional surtax of 3 percent imposed in 1932.

³ The lower rate applies between Feb. 1 and July 31. The larger during the other months.

⁴ Sales tax was 2 percent.

⁵ Plus a 3 percent ad valorem excise tax. The sales tax is 6 percent. Gross weight is used.

⁶ Duty is 20 percent ad valorem on fixed valuation, providing that the duty shall not be less than $\frac{3}{4}$ cent a pound.

⁷ Gold dollars.

TABLE 35.—*Prunes: Import duties as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom (pound sterling—par value, \$4.867; current, \$3.422).	Hundred-weight (112 pounds net.)	7s-----	10s. 6d-----	Gold payments suspended Sept. 21, 1931.
	100 pounds net	\$1.52-----	\$1.60-----	
Germany (reichsmark—par value, 23.82 cents):				Exchange restrictions.
Containers of 80 kilos and up.	100 kilos, gross.	6 marks-----	6 marks-----	
Smaller containers.	100 kilos, net.	8 marks-----	8 marks-----	
Containers of 80 kilos and up.	100 pounds, gross.	\$0.65-----	\$0.65-----	
Smaller containers.	100 pounds, net.	\$0.86-----	\$0.86-----	Quota restrictions.
France (franc—par value, 3.92 cents):				
Boxes and cases ¹	100 kilos, gross.	80 francs-----	160 francs-----	
Others	do.	60 francs-----	120 francs-----	
Boxes and cases ¹	100 pounds, gross.	\$1.42-----	\$2.84-----	
Others	do.	\$1.07-----	\$2.14-----	
Netherlands (florin—par value, 40.20 cents)	Ad valorem	8 percent-----	10 percent plus 3 percent. ²	
Belgium (franc—par value, 2.78 cents):				
Containers of 10 kilos or less.	100 kilos, gross.	120 francs-----	138 francs-----	
Larger containers.	100 kilos, net.	40 to 100 francs ³	40 to 100 francs ³	
Containers of 10 kilos or less.	100 pounds, gross.	\$1.51-----	\$1.74-----	
Larger containers.	100 pounds, net.	\$0.50 to \$1.26-----	\$0.50 to \$1.26-----	
Denmark (krone—par value, 26.82 cents; current, 15.27 cents).	100 kilos, net.	4 crowns-----	4 crowns-----	Exchange restrictions; gold payments suspended Sept. 29, 1931.
	100 pounds, net.	\$0.49-----	\$0.28-----	
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).	100 kilos, net.	50 crowns-----	Free-----	Gold payments suspended Sept. 29, 1931.
	100 pounds, net.	\$6.08-----	do-----	
Norway (krone—par value, 26.08 cents; current, 17.52 cents).	100 kilos, net.	22.50 crowns-----	45 crowns-----	Unofficial exchange restrictions; gold payments suspended Sept. 29, 1931.
	100 pounds, net.	\$2.74-----	\$3.58-----	
Argentina (gold peso—par value, 96.48 cents; current, 58.22 cents).	100 kilos, gross.	7.93 gold pesos-----	14.08 gold pesos-----	Partial exchange restrictions; suspended gold payments Dec. 16, 1929.
	100 pounds, gross.	\$3.47-----	\$3.74-----	
Cuba (peso—par value, \$1).	100 kilos, gross.	2.40 gold pesos-----	3.20 gold pesos-----	
	100 pounds, gross.	\$1.09-----	\$1.45-----	
Canada (dollar—par value, \$1; current, 83.13 cents).	100 pounds, net.	\$0.67 ⁴ -----	\$1 ⁵ -----	Gold exports prohibited Oct. 19, 1931.
			\$0.83 ⁵⁶ -----	

Compiled by the Foreign Agricultural Service of the Department of Agriculture and the Division of Foreign Tariffs Department of Commerce. Converted to dollars at the prevailing rates of exchange as of Apr. 1, 1933.

¹ Also all fruit counting 80 and less per 500 grams (1.1 pounds).

² Provisional surtax of 3 percent imposed in 1932.

³ Varies with the count of the fruit. The larger the fruit the higher the rate, i.e., 90 fruit per 500 grams (1.1 pounds) is charged 90 to 100 francs according to the size of the container.

⁴ Sales tax was 2 percent.

⁵ Plus a 3 percent ad valorem excise tax. The sales tax is 6 percent.

⁶ Gold dollars.

TABLE 36.—*Raisins: Import duties as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom (pound sterling—par value, \$4.867; current, \$3.422).	Hundred-weight (112 pounds) net.	7s.-----	10s. 6d.-----	Gold payments suspended Sept. 21, 1931.
Germany (reichsmark—par value, 23.82 cents).	100 pounds net.	\$1.52-----	\$1.60-----	Exchange restrictions.
	100 kilos, net.	8 reichsmarks-----	5 reichsmarks-----	Quota restrictions.
France (franc—par value, 3.92 cents).	100 pounds net.	\$0.86-----	\$0.54-----	
	100 kilos, gross.	75 francs-----	75 francs-----	
Netherlands (florin—value, 40.20 cents).	100 pounds, gross.	\$1.33-----	\$1.33-----	
	Ad valorem	8 percent-----	10 percent plus 3 percent. ¹	
Belgium (franc—par value, 2.78 cents).	100 kilos, net.	100 francs-----	115 francs-----	
	100 pounds, net.	\$1.26-----	\$1.45-----	
Denmark (krone—par value, 26.80 cents; current, 15.27 cents).	100 kilos, net.	4 crowns-----	4 crowns-----	Exchange restrictions; gold payments suspended Sept. 29, 1931
	100 pounds, net.	\$0.49-----	\$0.27-----	Gold payments suspended Sept. 29, 1931.
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).	100 kilos, net.	15 crowns-----	15 crowns-----	
	100 pounds, net.	\$1.82-----	\$1.23-----	
Norway (krone—par value, 26.80 cents; current, 17.52 cents).	100 kilos, net.	8 crowns-----	9.60 crowns-----	Unofficial exchange restrictions; gold payments suspended Sept. 29, 1931.
	100 pounds, net.	\$0.97-----	\$0.76-----	
Argentina: ²				
Containers 2 kilos or less.	100 kilos, gross.	21.55 gold pesos-----	31.80 gold pesos-----	Partial exchange restrictions; suspended gold payments Dec. 16, 1929.
Containers larger than 2 kilos.	-----do-----	14.74 gold pesos-----	24.19 gold pesos-----	
Containers of 2 kilos or less.	100 pounds, gross.	\$9.43-----	\$8.40-----	
Containers larger than 2 kilos.	-----do-----	\$6.45-----	\$6.39-----	
Cuba (peso—par value, \$1).	100 kilos, gross.	2.40 gold pesos-----	3.20 gold pesos-----	
	100 pounds, gross.	\$1.09-----	\$1.45-----	
Canada (dollar—par value, \$1; current, 83.13 cents).	100 pounds-----	\$3 ³ -----	\$4----- \$3.33 ⁴ -----	Gold exports prohibited Oct. 19, 1931.

Compiled by the Foreign Agricultural Service of the Department of Agriculture and the Division of Foreign Tariffs, Department of Commerce. Converted to dollars at the prevailing rates of exchange as of Apr. 1, 1933.

¹Provisional surtax of 3 percent imposed in 1932.

²Gold peso; par value, 96.50 cents; current value, Apr. 1, 1933, 58.22 cents.

³Sales tax was 2 percent.

⁴Gold dollars; plus a 3 percent ad valorem excise tax. The sales tax is 6 percent.

TABLE 37.—*Canned fruit: Import duties on canned pears, peaches, pineapples, apricots, salad fruits, etc., as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom: ¹				
Thin sirup-----	Hundred-weight (112 pounds) net.	1s. 6½d. ² -----	1s. 6½d. plus 15 percent ad valorem. ²	Gold payments suspended Sept. 21, 1931.
Thick sirup-----	-----do-----	6s. 10½d. ² -----	6s. 10½d. plus 15 percent ad valorem. ²	
Thin sirup-----	100 pounds, net.	\$0.34-----	\$0.24 plus 15 percent ad valorem.	
Thick sirup-----	-----do-----	\$1.49-----	\$1.05 plus 15 percent ad valorem.	
Germany: ¹				
In sugar sirup-----	100 kilos, net.	80 reichsmarks-----	80 reichsmarks-----	Exchange restrictions.
In natural sirup-----	-----do-----	50 reichsmarks-----	50 reichsmarks-----	
In sugar sirup-----	100 pounds, net.	\$8.64-----	\$8.64-----	
In natural sirup-----	-----do-----	\$5.40-----	\$5.40-----	

See footnotes next page.

TABLE 37.—*Canned fruit: Import duties on canned peas, peaches, pineapples, apricots, salad fruits, etc., as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world—Continued*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
France: ¹				
In sugar sirup-----	100 kilos, gross--	50 francs ^{3, 4} -----	235 francs ³ -----	Quota restrictions.
In natural sirup-----	do-----	do ^{3, 4} -----	90 francs ^{4, 5} -----	
In sugar sirup-----	100 pounds, gross.	\$0.89-----	\$4.18 ³ -----	
In natural sirup-----	do-----	\$0.89-----	\$1.60 ³ -----	
Netherlands, in containers of: ¹				
1,200 grams or less (2.6 pounds).-----	Ad valorem ⁶ -----	20 percent-----	25 percent plus 3 percent. ⁷	
1,200 grams to 5 kilos (2.6 pounds to 11 pounds).-----	do. ⁶ -----	12 percent-----	15 percent plus 3 percent. ⁷	
Over 5 kilos-----	do. ⁶ -----	8 percent-----	10 percent plus 3 percent. ⁷	
Belgium, in containers of: ²				
3 kilos (6.6 pounds) or more.-----	100 kilos, net ⁸ -----	30 or 120 francs ⁹ -----	34.50 or 138 francs ⁹ -----	
3 kilos (6.6 pounds) or less.-----	do. ⁸ -----	240 francs-----	276 francs-----	
3 kilos (6.6 pounds) or more.-----	100 pounds, net. ⁸ -----	\$0.38 or \$1.51 ⁹ -----	\$0.43 or \$1.74 ⁹ -----	
3 kilos (6.6 pounds) or less.-----	do. ⁸ -----	\$3.03-----	\$3.48-----	
Denmark (krone—par value, 26.80 cents; current, 15.27 cents).-----	{ 100 kilos, net--	100 crowns-----	100 crowns-----	Exchange restrictions; gold payments suspended Sept. 29, 1931.
	{ 100 pounds, net.	\$12.16-----	\$6.93-----	
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).-----	{ 100 kilos, net ⁸ -----	50 crowns-----	75 crowns-----	Gold payments suspended Sept. 29, 1931.
	{ 100 pounds, net. ⁸ -----	\$6.08-----	\$6.16-----	
Norway (krone—par value, 26.80 cents; current, 17.52 cents).-----	{ 100 kilos, net ⁸ -----	90 crowns-----	108 crowns-----	Unofficial exchange restrictions; gold payments suspended Sept. 29, 1931.
	{ 100 pounds, net. ⁸ -----	\$10.94-----	\$8.58-----	
Argentina (gold peso—par value, 96.48 cents; current, 58.22 cents).-----	{ 100 kilos, gross--	48.79 gold pesos-----	55.99 gold pesos-----	Partial exchange restrictions; suspended gold payments Dec. 16, 1929.
	{ 100 pounds, gross.	\$21.36-----	\$14.79-----	
Cuba (peso—par value, \$1).-----	{ 100 kilos, gross--	1.20 gold pesos ¹⁰ -----	7.20 gold pesos ¹⁰ -----	
	{ 100 pounds, gross.	\$0.54-----	\$3.30-----	
Canada (dollar—par value, \$1; current, 83.13 cents).-----	100 pounds-----	\$2.50 ¹¹ -----	\$5 ¹² -----	Gold exports prohibited Oct. 19, 1931.
			\$4.16 ^{12, 13} -----	

¹ Compiled by the Foreign Agricultural Service of the Department of Agriculture and the Division of Foreign Tariffs, Department of Commerce. Converted to dollars at the prevailing rates of exchange as of April 1, 1933.

¹ The pound sterling is used in the United Kingdom, par value is \$4.867, current value, \$3.422; Germany (reichsmark—par value, 23.82 cents); France (franc—par value, 3.92 cents); Netherlands (florin—par 40.20 cents); Belgium (franc—par value, 2.78 cents).

² These rates are listed as alternates to paying duty on the actual sugar content of the sirup.

³ Canned pineapple is also subject to a special tax as follows: 30 francs per 100 net kilos if in sugared liquid and 15 francs if without sugar, sirup or alcohol.

⁴ Pineapple rate is 3 times the rate listed here.

⁵ Rate on pineapple is 150 francs per 100 kilos.

⁶ Canned fruits and vegetables containing over 5 percent added sugar are required to pay a sugar excise tax. On cans of 1,200 grams or less the rate for 1928 was 8 percent plus a tax of 27 florins per 100 kilos and in 1932 the rate was 10 percent plus a sugar excise tax of 27.15 florins per 100 kilos. On the containers of 1,200 grams to 5 kilos the rate is the same as that given plus sugar tax. Only the sugar tax is charged on containers larger than 5 kilos.

⁷ Provisional surtax of 3 percent imposed in 1932.

⁸ Duty based on weight of container.

⁹ Lower rate is without added sugar and higher rate with sugar.

¹⁰ Plus a surtax of 10 percent of the duty.

¹¹ Sales tax of 2 percent.

¹² Plus a 3 percent ad valorem excise tax. The sales tax is 6 percent.

¹³ Gold dollars.

APPLES

The United States is the world's greatest apple-exporting country. Approximately one half of the apples moving in international trade originate in this country. Apples are grown in every State in the Union, and they are commercially important in over one half of the

States. Almost all of the export apples, however, are grown in the Atlantic Coast States from Virginia to Maine and in the western boxed-apple States.

On the average, one sixth of the total commercial apple crop of the country is exported, but the export proportion of certain districts and of certain varieties is very much larger. For instance, foreign markets provide the chief outlet for such varieties as the York Imperial, Albemarle Pippin, and Ben Davis grown in the Shenandoah-Cumberland Valley of Virginia, West Virginia, and Pennsylvania. It has been estimated that 50 percent of the apple crop of this region has normally been exported. Similarly, a large proportion of the Yellow Newtown and the Ortley, grown in Oregon, particularly in the Hood River Valley, are shipped abroad. The State of Washington exports large quantities of small-sized Winesap, Jonathan, and other varieties. In some years considerable quantities of certain New York and New England varieties, such as the Baldwin, Rhode Island Greening, and Ben Davis, are exported. The increasing restrictions on apple imports in the principal foreign markets during recent years have affected primarily the apple industries in these export regions.

Apples have been exported from the United States since Colonial days, but the greatest period of expansion was during the decade 1920 to 1930, as a result largely of the increasing apple production in the Pacific Northwest. Table 38 shows the exports of apples from the United States since 1922-23.

TABLE 38.—*Apples: Exports from the United States and the proportion of the commercial crop exported, 1922-23 to 1931-32*

Year	Total exports		Boxed exports ¹		Barreled exports ²	
	Amount	Percent of crop	Amount	Percent of crop	Amount	Percent of crop
	<i>1,000 bushels</i>		<i>1,000 boxes</i>		<i>1,000 barrels</i>	
1922-23.....	5,300	5.5	3,500	9.2	1,800	3.1
1923-24.....	12,300	11.4	6,200	12.4	6,100	10.5
1924-25.....	9,600	11.4	5,100	15.4	4,500	8.9
1925-26.....	11,000	11.0	5,400	12.6	5,600	9.9
1926-27.....	21,300	18.1	7,800	17.5	13,500	18.5
Average.....	11,900	11.8	5,600	13.4	6,300	10.6
1927-28.....	9,400	12.0	5,400	14.0	4,000	10.1
1928-29.....	21,000	19.7	12,000	23.5	9,000	16.2
1929-30.....	10,300	11.9	6,000	15.1	4,300	9.2
1930-31.....	20,300	20.0	12,000	23.1	8,300	16.9
1931-32.....	18,000	17.3	9,500	24.7	8,500	12.9
Average.....	15,800	16.6	9,000	20.5	6,800	13.3

Compiled by the Foreign Agricultural Service from official sources.

¹ Grown in Pacific Coast States.

² Grown in Atlantic Coast States.

The volume of American apple exports has held up remarkably well during the period of declining world trade since 1929 and consequently the total value has not shrunk so much as that of most export commodities. The unit value of the exports, however, has shown a drastic decline, reflecting in part the general fall in prices and reduced purchasing power in foreign countries, but also to an important extent, and especially for boxed apples, the increased tariffs and other restrictions on apple imports into the leading world markets. The unit export value for boxed apples has fallen much more than that for barreled apples.

TABLE 39.—Apples: Value per unit of exports from the United States compared with the index of commodity prices, 1925-26 to 1932-33

Season July-June	Value per unit		Index of unit value		Index of commodity prices
	Boxes	Barrels	Boxes	Barrels	
			Percent	Percent	Percent
1925-26-----	\$2.52	\$4.87	100.0	100.0	100.0
1926-27-----	2.14	4.94	84.9	101.4	94.9
1927-28-----	2.43	4.99	96.4	102.5	93.3
1928-29-----	2.13	5.03	84.9	103.3	93.7
1929-30-----	2.18	5.07	86.5	104.1	90.8
1930-31-----	1.88	4.75	74.6	97.5	78.1
1931-32-----	1.50	4.32	59.5	88.7	66.9
1932-33 ¹ -----	1.14	3.98	45.2	81.7	61.7

Compiled by the Foreign Agricultural Service from official sources.
¹ July-February, inclusive.

American apple exports are widely distributed but a relatively few countries take the bulk of the shipments. The United Kingdom is the most important market, taking on the average almost one half of the total apple exports from the United States. Continental European countries, Canada, and certain Latin American countries take most of the remainder. Table 40 shows the average exports of United States apples to the principal countries in the last five seasons.

TABLE 40.—Apples: Exports from the United States to principal countries, average exports in the 5-year period 1927-28 to 1931-32

Country	Average 1927-28 to 1931-32 (July to June)					
	Total ex-ports	Percent of total	Boxed ex-ports ¹	Percent of total	Barreled exports ²	Percent of total
	1,000 bushels		1,000 boxes		1,000 barrels	
United Kingdom-----	7,455	47.1	3,504	39.0	1,317	57.8
Germany-----	2,446	15.5	1,927	21.4	173	7.6
Netherlands-----	1,512	9.6	1,116	12.4	132	5.8
France-----	688	4.3	319	3.6	123	5.4
Belgium-----	588	3.7	42	.5	182	8.0
Sweden-----	490	3.1	241	2.7	83	3.6
Norway-----	357	2.3	177	2.0	60	2.6
Denmark-----	149	.9	89	1.0	20	.9
Other Europe-----	134	.8	92	1.0	14	.6
Total Europe-----	13,819	87.3	7,507	83.6	2,104	92.3
Canada-----	619	3.9	478	5.3	47	2.1
Argentina-----	571	3.6	256	2.9	105	4.6
Brazil-----	166	1.0	163	1.8	1	-----
Cuba-----	77	.5	53	.6	8	.3
Mexico-----	72	.5	66	.7	2	.1
Other countries-----	500	3.2	461	5.1	13	.6
Total-----	15,824	100.0	8,984	100.0	2,280	100.0

Compiled by Foreign Agricultural Service from official sources. Exports in bushel baskets are included.
¹ Grown in the Pacific Coast States. ² Grown in the Atlantic Coast States.

During the last 4 years trade barriers of some description have been raised in every important foreign market for American apples. New or increased import duties have restricted American apple imports into the United Kingdom, Sweden, Norway, and Canada. Restrictions on the use of exchange have reduced imports of American apples into Germany and Denmark. Import quotas in France and strict sanitary regulations in France and Argentina have held down exports to those countries. In the United Kingdom the Scan-

dinavian countries, and Argentina depreciated currency has been an additional obstacle to trade. Table 41 provides an outline of the import duties and other restrictions on American apple imports into the principal markets. The following discussion describes the most significant restrictive measures in effect in the principal markets. An attempt is made whenever feasible to indicate their effects on the export trade in American apples with the individual countries.

TABLE 41.—*Apples: Import duties as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom (pound sterling—par value, \$4.867; current, \$3.422).	Hundred-weight (112 pounds).	Free-----	4s. 6d-----	Embargo July 7 to Nov. 15 against United States apples except 2 highest recognized grades; sanitary inspection; certificate required; gold payments suspended Sept. 21, 1931.
	Box, net-----	do-----	\$0.30-----	
	Barrel, net-----	do-----	\$0.99-----	
Germany (reichsmark—par value, 23.82 cents).	100 kilos, net--	7 marks-----	7 marks-----	Exchange purchases limited to about 50 percent same month 1931; sanitary inspection for San Jose scale and other insect pests.
	Box, net-----	\$0.33-----	\$0.33-----	
	Barrel, net-----	\$1.09-----	\$1.09-----	
France (franc—par value, 3.92 cents).	100 kilos, gross--	7.5 or 15 francs ¹ ---	7.5 or 15 francs ¹ ---	Sanitary inspection for pests, particularly San Jose scale; certificate required; imports regulated by quota and licenses.
	Box, gross-----	\$0.13-----	\$0.13-----	
	Barrel, gross-----	\$0.22-----	\$0.22-----	
Netherlands (florin—par value, 40.20 cents).	Ad valorem---	8 percent-----	10 percent plus 3 percent. ²	Sanitary inspection.
Belgium (franc—par value, 2.78 cents).	100 kilos-----	5 or 150 francs ¹ ---	5.75 or 172.50 francs. ¹	Certificate required affirming freedom from disease.
	Box, net-----	\$0.83-----	\$0.96-----	
	Barrel, gross--	\$0.10-----	\$0.12-----	
Denmark (krone—par value, 26.8 cents; current, 15.27 cents).	100 kilos, net--	1 crown-----	5 crowns-----	Exchange restrictions. Gold payments suspended Sept. 29, 1931.
	Box, net-----	\$0.05-----	\$0.15-----	
	Barrel, net-----	\$0.175-----	\$0.50-----	
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).	100 kilos, net--	10 crowns-----	20 crowns-----	Gold payments suspended Sept. 29, 1931.
	Box, net-----	\$0.54-----	\$0.72-----	
	Barrel, net-----	\$1.75-----	\$2.37-----	
Norway (krone—par value, 26.80 cents; current, 17.52 cents).	100 kilos, net--	30 or 60 crowns ³ ---	36 or 72 crowns ³ ---	Gold payments suspended Sept. 29, 1931; unofficial exchange restrictions.
	Box, net-----	\$1.61 or \$3.22 ³ ---	\$1.26 or \$2.52 ³ ---	
	Barrel, net-----	\$5.25 or \$10.50 ³ ---	\$4.12 or \$8.24 ³ ---	
Argentina (gold peso—par value, 96.48 cents; current, 58.22 cents).	100 kilos gross--	Free-----	6.3 gold pesos-----	Sanitary inspection; certificate required; suspended gold payments Dec. 16, 1929; partial exchange restrictions.
	Box, gross-----	do-----	\$0.83-----	
	Barrel, gross--	do-----	\$2.75-----	
Cuba (peso—par value, \$1).	100 kilos, gross--	0.80 gold pesos-----	1.20 gold pesos-----	Sanitary regulations.
	Box, gross-----	\$0.18-----	\$0.27-----	
	Barrel, gross--	\$0.60-----	\$0.90-----	
Canada (dollar—par value, \$1; current, 83.13 cents).	Box-----	\$0.30 ⁴ -----	About \$0.30-\$0.35 ⁵ ---	Sanitary inspection and marking and packing regulations; prohibited gold exports Oct. 19, 1931.
	Barrel-----	\$0.90 ⁴ -----	About \$0.90-\$1.15 ⁵ ---	

Compiled by the Foreign Agricultural Service of the Department of Agriculture and the Division of Foreign Tariffs, Department of Commerce. Converted to dollars at the prevailing rates of exchange as of Apr. 1, 1933. A box or a basket is considered as weighing 44 pounds net or 50 pounds gross and a barrel 144 pounds net or 165 pounds gross.

¹ The smaller rate of duty applies to containers larger than 20 kilos (44 pounds); the larger rate to the containers of less than 44 pounds. Boxes are classified as small containers.

² Provisional surtax of 3 percent imposed in 1932.

³ The lower rate applies between Feb. 1 and July 31. The larger rate during the other months.

⁴ Sales tax was 2 percent in 1928.

⁵ Approximate; 20 percent ad valorem on a fixed valuation; providing that the duty shall not be less than a minimum of 3/4-cent a pound. In both cases the 3 percent excise tax on the duty-paid value has been added; gross weight is used; converted to gold dollars; there is also a sales tax of 6 percent.

UNITED KINGDOM

The United Kingdom is the leading foreign market for American apples. On the average, about 50 percent of the exports of barreled apples and 40 percent of the exports of boxed apples from the United States go to that country. Canada is the principal competitor of the United States in the British market, while Australia and New Zealand offer some competition for American export apples during the spring months.

Until recent years there were practically no restrictions on the importation of apples into Great Britain. There was no import duty, and sanitary regulations imposed no great obstacle to the importation of foreign fruit. This situation has been radically changed. A substantial duty is now assessed against foreign apples, and sanitary regulations present greater obstacles to the exports of American apples to Great Britain. The depreciation in British currency is an additional handicap.

1. *Import duty*.—Apples were included among the items subject to a 10 percent ad valorem tax under the general tariff effective March 1, 1932. Apples from Empire countries were admitted free. It does not appear that this duty affected materially either the volume or the price of United States apples exported to Great Britain. On November 17, 1932, as a result of agreements growing out of the Imperial Conference at Ottawa in July of that year, the 10 percent ad valorem rate was changed to a specific rate of 4s. 6d. per hundredweight of 112 pounds, equivalent at par of exchange to 45 cents a box and \$1.45 a barrel and, at the average exchange rate prevailing during the 1932–33 season, to about 30 cents a box and \$1 a barrel. This rate was about double the ad valorem rate. Empire apples continued to be admitted free of duty. The duty now assessed on American apples is obviously sufficiently high to have a retarding effect on our exports to the British market, but it has been enforced too short a time to permit of any precise appraisal of this effect. Some general observations are, however, possible.

It is necessary in the first place to analyze the factors that have affected the prices of apples, both American and home grown, in the British market. Such an analysis, covering the nine seasons 1923–24 to 1931–32, shows that American apple prices in British markets were determined largely by two factors, the volume of exports of apples from the United States to the United Kingdom and the general commodity price level in the United Kingdom (fig. 22). In other words, when exports of American apples to the United Kingdom were large prices were relatively low and when exports were small prices were relatively high. Since the amount of exports is closely related to the size of the crops in the export sections of the United States, this simply means that the prices received for American apples in Great Britain during the period studied were determined chiefly by the supply situation in the United States. It is, of course, to be expected that American supplies would be a leading price-determining factor. The significant fact is that supplies of other apples on the British market, upon the whole, apparently have had little effect on the prices received for American apples. This is particularly true of home-grown British apples, even though they constitute on the average around one half of the total cooking and dessert apples consumed

in the United Kingdom. Large supplies of British apples do not appear to have depressed significantly the prices paid for American apples. On the other hand, prices paid for British apples seem to have been little influenced by the quantity of American apples on British markets (fig. 22).

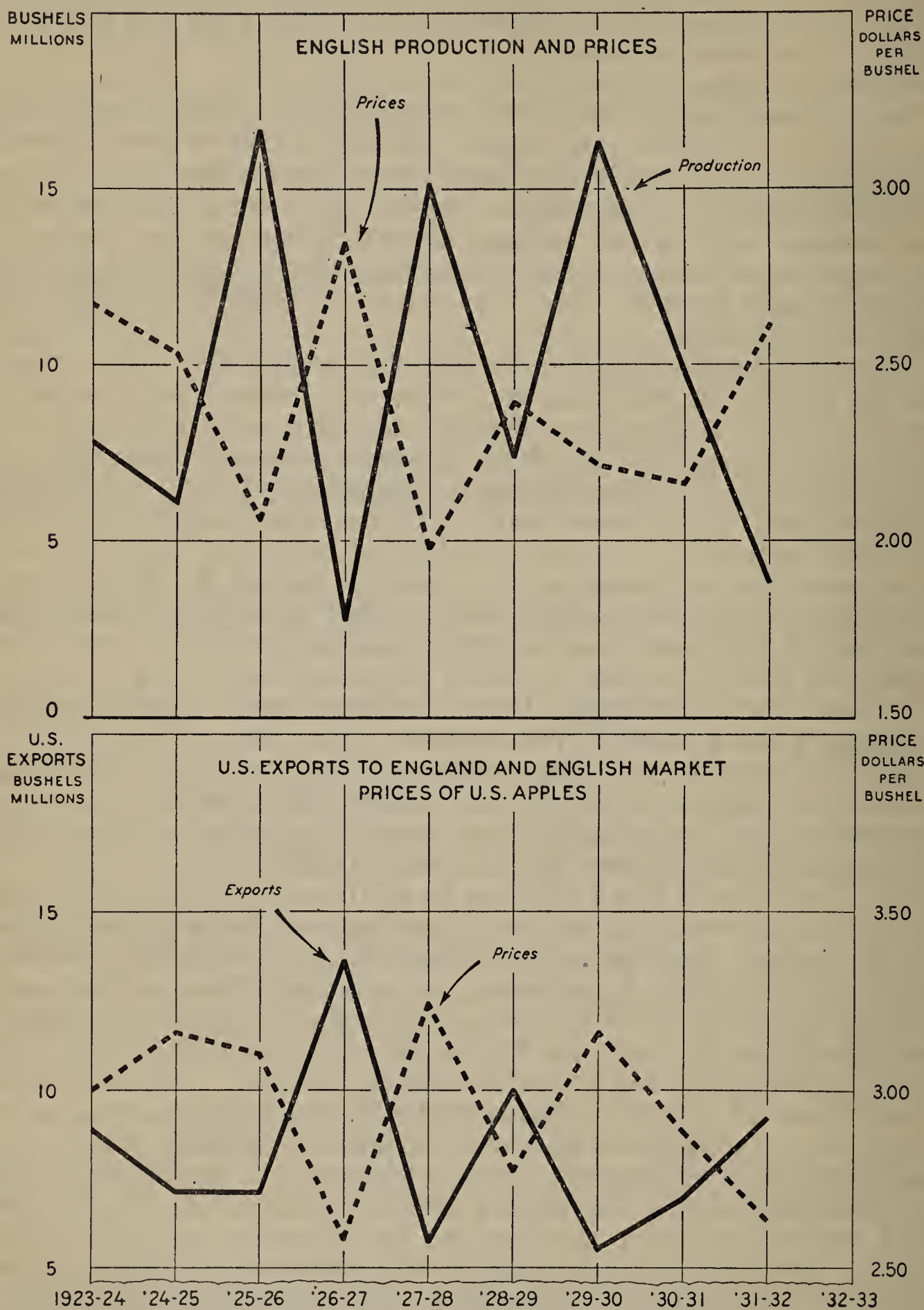


FIGURE 22.—APPLE PRICES AND SUPPLIES IN ENGLAND.

During the period under survey (1923-24 to 1931-32) the apple crops of the United States and Great Britain alternated regularly between large and small crops, with large supplies of American apples occurring in years when British crops were small and small

supplies of American apples occurring in years when British apple crops were large. This was a fortuitous circumstance growing out of the alternate bearing characteristics of the varieties produced in the two countries; nevertheless, when United States apple crops were large and exports were correspondingly heavy the fact that British apple supplies were small did not seem to have any measurably favorable influence on the prices received for American apples in Great Britain. Conversely, in the years of small American crops and exports the relatively large British apple supplies did not measurably depress average seasonal prices of American apples on British markets.

It must be recognized that the period covered by this analysis is short and that the relationships refer to average prices for the season and to average prices for a number of varieties. The results might well be different with respect to particular periods during the season or with respect to particular varieties. Nevertheless, the indications are that because of differences in varieties and quality American apples and British apples, for the most part, have not been interchangeable in British consumer preferences. This being the case, it is not to be expected that the British import duty on apples will, in the near future at least, cause any significant increase in the competition of British home-grown apples with American apples sold in that country. As to the more distant future, much will depend upon the success of present efforts energetically encouraged by the Government to improve the market quality and increase the quantity of British home-grown apples. It seems that there has been some improvement in the quality of British apples in recent years, partly as a result of the establishment of Government grades and standards, and that in the last year or two there has been some stimulation of apple-tree planting in Great Britain.

But the British duty on apples from foreign sources was intended primarily as a benefit to Empire apple growers, especially Canada. The prices of some varieties of American apples are unquestionably affected by Canadian competition. The extent to which Canada may be in a position to profit by preferential free entry in the British market will be an important factor in determining the extent of the injury that may be done to the American apple export trade by the British import duty. Canadian apple production averages less than 10,000,000 bushels annually and its exports amount to about 4,500,000 bushels, of which almost four fifths—or around 3,500,000 bushels—go to the United Kingdom. This compares with American exports to Great Britain of over 8,000,000 bushels a year. It is clear that Canada does not now produce enough apples to supply British import requirements. Furthermore, some of the varieties of leading importance in the United States export trade with Great Britain are not grown on a commercial scale in Canada. Among these are the York Imperial and the Yellow Newtown, which are in particular favor with British consumers. On the other hand, certain of the more directly competitive Canadian varieties will undoubtedly be benefited immediately by preferential free entry in British markets and some quantity of comparable American varieties will be displaced. That such a displacement has already started is shown by the fact that Canadian apple exports to the United Kingdom during the 1932-33

season have been close to the largest on record and have been almost equal to the total exports of American apples to that country.

The effect of the British duty on stimulating Canadian apple production must also be considered. Canadian producers have apparently already been benefited. For instance, in November 1932 British Columbian apples sold at from \$1.10 to \$1.30 gold per box, f.o.b. shipping points, whereas apples grown in the State of Washington returned only 75 cents to 90 cents gold a box. In former years Washington apples have usually sold at higher prices than fruit produced in British Columbia. In addition to the free entry into the British market, while American apples were assessed a duty of 30 cents a box, Canada has also had some advantage in the depreciation of about 15 percent in the value of its currency. In view of the relatively higher prices received by Canadian apple growers as compared with returns to apple growers in the export sections of the United States and in view also of the high hopes entertained by the Canadian apple industry with respect to a preferential market in the United Kingdom, it is reasonable to expect that Canadian apple production will be stimulated and that in future years the share that the United States will obtain of the British apple market will be reduced. There is no basis upon which to estimate the possible extent of this reduction.

Australia and New Zealand are also important Empire apple-growing and exporting countries. Their seasons are the reverse of those of the United States, but the early shipments of apples from these countries coincide with late shipments from the United States (from April to June) and the late shipments from these countries arrive in Great Britain during the early months of the United States export season (July to September). The principal effect of this competition is, however, to shorten the marketing season in Great Britain for American cold-storage stock, primarily boxed apples. With the advantage of free entry into the British market and also of a marked depreciation (around 50 percent) in their currency, the competition of Australian and New Zealand apples has been intensified, but the effect on exports of American apples will doubtless be less than in the case of Canada.

2. *Currency depreciation.*—The export trade in American apples to Great Britain has also been affected adversely by the depreciation of the pound sterling since the abandonment of the gold standard by Great Britain in September 1931. With the British currency depreciated by around 30 percent from par, American apple exporters had been faced with the alternative either of maintaining prices in terms of gold with a consequent loss of volume, or of maintaining the quantity of exports and accepting lower prices in terms of gold. That the latter course has been followed is indicated by a rather marked increase during the last 2 years in shipments of apples to Great Britain on consignment or—which amounts to much the same thing—on the basis of a small advance before shipping. In other words, British importers had been unwilling, partly because of the currency situation, to make outright purchases of American apples to the same extent as formerly. The result has been a marked shrinkage in returns to American apple growers in the export regions during the 1931–32 and 1932–33 seasons. In terms of sterling the

prices paid for American apples during these seasons were on about the same level as those for the seasons of corresponding supplies prior to the abandonment of the gold standard. In terms of dollars, prices have shown a considerable decline. This is shown by Table 42, which gives the prices of York Imperial apples sold at Liverpool in terms of sterling and in terms of American dollars at the prevailing rate of exchange.

TABLE 42.—*York Imperial apples: Prices at Liverpool, 1928-29 to 1932-33*

Season	In British currency	In Amer- ican cur- rency	Season	In British currency	In Amer- ican cur- rency
	s. d.			s. d.	
1928-9.....	29 0	\$7.06	1931-32.....	28 5	\$4.74
1929-30.....	28 5	6.91	1932-33.....	30 0	5.07
1930-31.....	28 10	7.02			

A comparison of wholesale New York prices with those of Liverpool provides another indication of the shrinkage in apple prices in terms of gold on the British market. In the 4-year period 1927-28 to 1930-31 the dollar spread between the two markets for the Virginia York Imperial averaged about \$2 in favor of Liverpool, while in 1931-32 and 1932-33 the spread was \$1.50. When the duty is considered the spread for the first half of the 1932-33 season was only 84 cents.

It is recognized, of course, that there would have been a decline in sterling prices and in returns to American apple growers and shippers even though English currency had remained at par. It seems unlikely, however, in the particular case of apples, at least, that the decline in total returns for American apples sold on British markets would have been as great as it has been, in fact, under conditions of widely fluctuating and depreciated currency.

3. *Sanitary restrictions.*—The flow of American apples into British markets has been somewhat restricted in recent years by sanitary regulations. Of these the most significant is the "Raw Apple Order" promulgated in June 1930, which prohibits the importation of all United States apples during the period July 7 to November 15 of each year except those of the two highest recognized grades. This order was made effective as a result of the discovery of apple maggots (fruit flies) in shipments of American barreled apples received in Great Britain during the 1929-30 season. The order was not extended to cover apples from Canada, where the apple maggot also occurs.

This order has definitely curtailed the quantity of barreled apples shipped to the United Kingdom during the period of restriction. It has had little effect on exports of western boxed apples, which have always consisted principally of fancy and extra fancy apples, which are not affected by the order. Upon the whole, however, it does not appear that this regulation, in the long run, will work a serious injury to the United States apple export trade since it has been increasingly clear in recent years that there is little place in British or in other European markets for low-quality apples.

CONTINENTAL EUROPEAN MARKETS

Continental European countries as a whole take about 40 percent of the total United States exports of apples. Germany is the most important market, followed by the Netherlands, France, Belgium, and the Scandinavian countries. Except for the Netherlands and Belgium all these countries have recently imposed some restrictions on imports which have affected significantly the importation of American apples.

1. *Germany*.—Germany is the second largest apple importer in the world and the United States has in recent years supplied about one-third of Germany's total apple imports. Drastic restrictions on the use of foreign exchange have constituted the most important obstacle to the importation of American apples into Germany. All foreign exchange transactions are rigidly controlled and importers in Germany are limited in their exchange to a specified percentage of previous requirements; in recent months this has been 50 percent of the amount used in the corresponding months of the preceding year. This limitation on exchange has unquestionably restricted imports of American apples into Germany. In this particular case, however, the restrictions grew out of the necessity of limiting imports in general in order to improve the national balance of payments. There is no evidence to indicate that apples have been affected more seriously than other products. The alternative to exchange control was currency depreciation which might have led to smaller imports of American apples than actually occurred.

German import duties on apples have not been changed during the last 4 years (table 41). Apples in bulk or in sacks are assessed a lower rate of duty than packaged fruit, such as the United States exports, and in addition such apples are granted a lower rate during the period September 25 to December 1 when most of the bulk or sacked apples are imported into Germany from neighboring countries. It is impossible to determine the extent to which the preferential low rate on these European apples may have affected the imports of American fruit. It is a fact, however, that when continental European crops have been large it has not been possible to sell substantial quantities of American apples in Germany until this fruit has moved into consumption, usually around the first of January.

2. *France*.—France is the leading apple producer in Europe but most of the French production is of cider fruit. The competition of the French product with imported American apples is not great. There has been a phenomenal increase in United States apple exports to France in recent years. In the 1929–30 season direct shipments of American apples to France amounted to only 74,000 bushels. In 1930–31 they exceeded 1,000,000 bushels and in 1931–32 they rose to 2,000,000 bushels. It is difficult to explain this rapid rise of French imports of United States apples in this period when trade in general was showing a marked decline. It appears to have been due largely to the fall in prices of American apples which permitted them to be sold in France to a much larger segment of consumers than was formerly the case and to the fact that French purchasing power has been maintained at a relatively higher level than in other European countries.

The French import duty on apples has not been changed in recent years although an attempt was made to increase it substantially in

1932. But more stringent sanitary regulations and an import quota system were adopted in that year and these have contributed to the decided reduction of French imports of American apples during the present (1932-33) season as compared with the preceding year.

The sanitary regulations were aimed in particular at preventing the entry of San Jose scale. An official decree effective in March 1932, provided that fruits other than citrus from countries where San Jose scale was known to exist had to be accompanied by sanitary certificates certifying that the fruit was free from disease and pests. In addition all shipments except citrus were made subject to inspection on being landed at one of the four designated ports of entry. The results of these strict sanitary regulations was an immediate decline in the French takings of American apples and pears, particularly the apples grown in the Atlantic States. Boxed fruit from the Pacific States was not greatly affected by the regulations although a number of shipments from this region also failed to pass inspection in France. During the present (1932-33) season some shipments of American apples have been refused entry into France because of San Jose scale. The injury to the United States apple-export business with France caused by these regulations cannot be determined since a system of import quotas was adopted shortly after the tightening of sanitary regulations.

The import quota system was applied to fruit in July 1932. The fruit quota allotted to foreign countries for the first quarter (July to September) of the 1932-33 season was extremely small. The quotas were specified by countries in the second quarter (October to December) and were fixed at the average, without reduction, of direct imports of such fruits from the United States during the corresponding months of 1929, 1930, and 1931. In establishing the quotas no allowance was made for United States apples and pears which in the past had been reexported to France from nearby European countries (table 43).

TABLE 43.—*France: Apple and pear quotas allowed the United States in the 1932-33 season compared with the imports in 1931-32*

Month	United States quota for apples and pears	United States quota for apples and pears	United States, exports to France, 1931-32		
			Apples and pears	Apples	Pears
	<i>Metric tons</i>	<i>Bushels ¹</i>	<i>Bushels</i>	<i>Bushels ¹</i>	<i>Bushels ²</i>
July.....	³ 150	³ 7, 500	3, 000	2, 000	1, 000
August.....	³ 30	³ 1, 500	47, 000	10, 000	37, 000
September.....	195	9, 750	30, 000	17, 500	13, 000
October.....	1, 200	60, 000	404, 000	343, 000	61, 000
November.....	3, 900	195, 000	429, 000	369, 000	60, 000
December.....	4, 680	234, 000	245, 000	231, 000	14, 000
January.....	1, 885	94, 250	309, 000	298, 000	11, 000
February.....	2, 140	107, 000	392, 000	390, 000	2, 000
March.....	2, 125	106, 250	138, 000	137, 000	1, 000
April.....	2, 710	135, 500	164, 000	164, 000	(⁴)
May.....			47, 000	47, 000	-----
June.....			3, 000	3, 000	-----
Total.....	19, 015	950, 750	2, 214, 000	2, 014, 000	200, 000

Compiled by the Foreign Agricultural Service from official sources.

¹ Bushels of 44 pounds.

² All countries.

³ Bushels of 50 pounds.

⁴ Less than 500 bushels.

The total quota allowed the United States for apples and pears in the 1932-33 season, July to June, was set at 950,750 bushels, which may be compared with direct exports from the United States to France in 1931-32 of about 2,200,000 bushels. While exports to France might well have been less in 1932-33 than in the preceding year, even though no quotas had been established, it is not reasonable to suppose that the decline in exports would have been as great as it actually was. Furthermore, the restrictions in France reacted unfavorably on other European markets in that numerous shipments that were rejected in France had to be sold at low prices in nearby countries.

3. *Scandinavian countries.*—In the 5-year period 1927-28 to 1931-32 Sweden, Norway, and Denmark together imported about 1,000,000 bushels of American apples annually directly from the United States and a substantial additional quantity indirectly through other European countries. In the last 2 years new restrictions on imports have greatly curtailed the Scandinavian market for American fruit.

In February 1932 the Swedish duty on apples was increased 100 percent, or from 10 crowns to 20 crowns per 100 kilos. The present import duty is equivalent at current (April 1933) exchange rates to about 70 cents per box and \$2.35 per barrel. While these duties are relatively high they do not seem to have reduced materially the volume of American exports to Sweden. Norway, on the other hand, maintains a practically prohibitive duty on apples during the period August 1 to January 31, the principal shipping season for American apples. The present import duty during these months is equivalent to about \$2.50 a box and \$8.25 per barrel. During the remainder of the year the duty is \$1.25 per box and \$4 per barrel, or considerably higher than the year-around Swedish duty on apples.

Although Norway is off the gold standard, there is unofficial control of foreign exchange. Purchase of exchange is limited to a specified proportion of the amount required by individual importers in the corresponding months of the preceding year. The percentage varies with different products; in the case of apples it has been around 85 percent. The combination of the high duty, exchange restrictions, and depreciated currency has severely reduced the outlet in Norway for apples from the United States.

In Denmark the import duty on apples was increased in October 1931, but it is still low compared with the duties prevailing in most European countries (table 41). But drastic exchange restrictions have greatly curtailed the Danish market for American apples. In January 1932 a law was passed in Denmark which prohibits the importation of goods and securities unless they are certified by the National Bank as unobjectionable from a foreign-exchange standpoint. During the present (1932-33) season apples can be imported only upon special permit or "exchange certificate" which must be obtained in advance by the importer from the exchange office of the National Bank of Denmark. It has apparently been very difficult to secure permits covering the importation of American apples.

ARGENTINA

Exports of American apples to Argentina amounted to almost 750,000 bushels in each of the two seasons 1929-30 and 1930-31. Shipments dropped precipitously in 1931-32 to less than 200,000 bushels. This decline was to a large extent due to the import duties, strict sanitary regulations, and exchange restrictions adopted in 1931. Prior to that year there were no restrictions on the importation of apples in Argentina. On February 6, 1931, Argentina imposed an import duty on apples and pears of 25 percent ad valorem on a fixed valuation of 15 gold pesos per 100 kilos. The rate was increased to 35 percent in October 1931. In addition, a surtax of 7 percent of the value is applied making the total duty 42 percent ad valorem on the fixed valuation. The duty, therefore, amounts at current (April 1933) exchange to about 84 cents per box and \$2.76 per barrel or one of the highest existing in any country.

Effective July 1, 1931, new sanitary and packing regulations were adopted which seriously affected the importation of fresh fruit into Argentina. Among other things this order specified the season during which various fresh fruits could be imported into the country. Apples and pears, the chief fresh fruit exports from the United States to Argentina, were permitted entry only during the period from May 1 to December 15 of each year. All fruit except bananas was required to be packed before shipment in containers of standard type used by the exporting country. Apples, pears, oranges, mandarins, and lemons were required to be individually wrapped in specially prepared (oiled) paper stamped with the name of grower or packer and the country of origin. Each shipment had to be accompanied by a sanitary certificate issued by the official technical authorities in the country of origin stating that the fruit was free from parasites and disease. All shipments were required to stand a rigid sanitary inspection, and if any harmful disease or parasites were found the fruit was destroyed. These and other less important requirements were strictly enforced during the 1931-32 season and resulted in a very considerable decline in the exports of apples, particularly from the Eastern States, to Argentina.

The compulsory wrapping requirement was probably the most important single cause of the decline in exports. Apples packed in barrels are not customarily wrapped individually and such wrapping significantly increases the cost of packing. As a result largely of this requirement barreled exports to Argentina declined from over 150,000 barrels in 1930-31 to 8,000 barrels in 1931-32. Boxed-apple exports decreased from 257,000 in 1930-31 to 167,000 in 1931-32. Both boxed and barreled apple exports were reduced by the closing of the import season on December 15. This meant that the last shipments of apples destined for Argentina had to leave the United States almost a month prior to December 15 and resulted in cutting short the shipping season by at least 2 or 3 months. Both the compulsory wrapping requirements and the seasonal import periods were removed in 1932 and have not been in force during the 1932-33 season, but the high import duty still remains in effect.

Imports of apples are also restricted by the control of foreign exchange. Since October 3, 1931, an exchange control commission has

fixed the maximum and minimum rates for the purchase and sale of foreign exchange in Argentina. The foreign-exchange restrictions apply to fresh fruit among other products. To secure any exchange to cover imports of American apples a draft, with the bill of lading attached, must be presented to the commission for approval.

The removal of the wrapping requirements and the abandonment of specified periods of import have been of benefit to the apple export trade with Argentina as is shown by the fact that barreled apple exports during the first 8 months of the 1932-33 season were larger than in the preceding season despite a smaller crop in the barreled apple producing regions. Nevertheless, the total exports of barreled and boxed apples together in 1932-33 will probably not exceed 175,000 bushels as compared with 729,000 bushels in 1930-31, the last season when United States apples were allowed free entry into Argentina.

EFFECT OF TRADE RESTRICTIONS ON UNITED STATES APPLE EXPORTS

It is apparent from the preceding discussion that there has been a widespread tendency toward new and higher tariffs and other restrictions on apple imports in many of the most important markets for American apples. In some countries such restrictions have clearly resulted in curtailment of the importation of American apples, but, upon the whole, the volume of apple exports has been well maintained in the face of the rising barriers. The explanation for this apparently paradoxical situation is to be found in part in the expansion in the French market for American apples since 1929-30. Perhaps of more importance, however, is the fact that large parts of the export apples are of special varieties or of small sizes which are favored in foreign markets and which can be disposed of in domestic markets only with great difficulty, if at all. Under these conditions large quantities of apples have continued to be exported.

That many of them have been shipped for whatever they would bring on the foreign market is indicated by the growth in the consignment business and in the practice of shipping on the basis of a small advance which has often proved to be the only return realized. The immediate effect, then, of the trade restrictions combined with reduced purchasing power in foreign markets has been to reduce materially the income of apple growers in the export regions of the United States. Since about the usual quantity of apples has moved into export channels, it does not appear that growers outside of the export areas have been significantly affected by the restrictions in foreign markets.

The effect of the import restrictions on production of apples in the importing countries of Europe as well as in competing surplus countries is an important consideration in estimating the possible longer-time effect on the United States export trade in apples. In many, but by no means all, of the countries recently imposing restrictions on apple imports a leading objective has been the stimulation of home production. In the case of the United Kingdom this objective was apparently subordinate to the desire to benefit the apple growers in Empire countries by preferential free entry into the British market.

So far as the continental European importing countries are concerned, it does not now seem likely that the increased import duties

and other restrictions would in themselves lead to any considerable increase in domestic production and, consequently, in greater competition for American apples in these countries. But in addition to protecting domestic producers from the competition of imported supplies there is a general tendency toward governmental encouragement of the domestic apple industry in practically all European countries. Such efforts are being directed especially toward improvement in quality. Thus far it does not seem that marked progress has been made in this direction. But if these efforts toward quality improvement meet with some degree of success and the continental European countries continue their present high barriers against imported apples, it appears likely that there will be a permanent strengthening of the competitive position of their domestic apple industries. These countries will probably continue to take considerable quantities of American apples, but it will probably become increasingly difficult to dispose of our lower quality fruit.

Some expansion in Canadian, Australian, and New Zealand apple production may be expected to result from the advantages of preferential free entry into the British market for apples from these countries. The possible influence of this factor on Canadian apple production is of the most importance from the point of view of the apple export trade of the United States. The British market preference has not been in effect sufficiently long to permit a well-considered judgment as to its influence on Canadian apple production. But in view of the fact that the preference was granted chiefly because of the insistence of Canada it seems reasonable to expect that Canadian apple production will be stimulated. In any case it will be 8 or 10 years before new plantings made at this time can be expected to influence market supplies in Great Britain. In the meantime, however, it is possible for Canada to increase the proportion of commercial apples by paying more attention to cultural methods. Therefore it is reasonable to expect some displacement of American apples by Canadian in the British market. On the other hand, it is not at all likely that Canada will be in a position for many years to supply all of the British import requirements. The United States has an outstanding advantage in a large production of small-sized apples of varieties in strong demand by British consumers. These advantages will not be entirely nullified by preferential free entry for Canadian apples.

CITRUS FRUIT

Exports of citrus fruit from the United States are confined largely to oranges and grapefruit. Exports of lemons are relatively unimportant. The rapid growth of orange and grapefruit production in recent years makes the question of export outlets a matter of real concern to the citrus-fruit industry of the United States. Canada and the United Kingdom, the only important foreign markets for American citrus fruit, have established import duties on foreign fruit but continue to admit British Empire products free of duty. This preferential policy has an important bearing on the long-time outlook for American exports of oranges and grapefruit. Tables 44 and 45 show the restrictions on oranges and grapefruit in the principal importing countries.

ORANGES

Although the United States is the world's largest producer of oranges, it is second in importance to Spain as an exporter. Spain supplies a little more than one half of the world's exports of oranges as compared with about one twelfth from the United States. Most of the United States orange exports go to Canada. American exports to Europe, chiefly the United Kingdom, are confined largely to shipments in the summer months because of the strong competition of heavy supplies of Spanish and Palestine fruit during the winter season. During the late spring, summer, and early fall competition encountered by American oranges in European markets comes largely from the Union of South Africa and Brazil.

TABLE 44.—*Oranges: Import duties as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world*

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom: ¹ Apr. 1 to Nov. 30...	Hundred-weight (112 pounds) net.	Free	3s. 6d.	Sanitary inspection. Gold payments suspended Sept. 21, 1931.
Dec. 1 to Mar. 31...	do.	do.	10 percent ad valorem.	
Apr. 1 to Nov. 30...	Box, net	do.	\$0.37	
Dec. 1 to Mar. 31...	do.	do.	10 percent ad valorem.	
Germany (reichsmark—par value, 23.82 cents).	100 kilos, net... Box, net	2.50 marks... \$0.19	2.50 marks... \$0.19	Sanitary inspection. Exchange purchases limited to about 50 percent same month 1931.
France (franc—par value, 3.92 cents).	100 kilos, gross... Box, gross	35 francs... \$0.49	35 francs... \$0.49	Sanitary inspection; certificate required. Regulated by quota and license.
Netherlands (florin—par value, 40.20 cents).	Ad valorem	Free	10 percent plus 3 percent. ²	Sanitary inspection.
Belgium (franc—par value, 2.78 cents).	100 kilos, gross... Box, gross	27 francs... \$0.27	31.05 francs... \$0.31	Certificate required affirming freedom from disease.
Denmark (krone—par value, 26.80 cents; current, 15.27 cents).	100 kilos, net... Box, net	6.50 crowns... \$0.55	6.50 crowns... \$0.32	Exchange restriction. Gold payments suspended Sept. 29, 1931.
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).	100 kilos, net... Box, net	10.00 crowns... \$0.85	Free... do.	Gold payments suspended Sept. 29, 1931.
Norway (krone—par value, 26.80 cents; current, 17.52 cents).	100 kilos, net... Box, net	2 kronen... \$0.17	2.40 kronen... \$0.13	Gold payments suspended Sept. 29, 1931. Unofficial exchange restrictions.
Argentina (gold peso—par value, 96.48 cents; current, 58.22 cents).	100 kilos, gross... Box, gross	Free... do.	4.20 gold pesos... \$0.87	Sanitary inspection; certificate required. Suspended gold payments Dec. 16, 1929. Partial exchange restrictions.
Cuba (peso—par value, \$1).	100 kilos, gross... Box, gross	1.60 gold pesos... \$0.57	1.60 gold pesos... \$0.57	Sanitary regulations; certificate of origin required; citrus from Texas barred.
Canada (dollar—par value, \$1; current, 83.13 cents.)	Cubic feet... Box, net	Free ³ ... do. ³	\$0.35 ⁴ ... \$0.58 ^{4 5}	Sanitary regulation. Prohibited gold exports, Oct. 19, 1931.

Compiled by the Foreign Agricultural Service of the Department of Agriculture and the Division of Foreign Tariffs Department of Commerce. Converted to dollars at the prevailing rates of exchange as of Apr. 1, 1933. A box is considered as weighing 70 pounds net and 78 pounds gross.

¹ Currency: Pound sterling which has a par of \$4.867 and was worth \$3.422 on Apr. 1, 1933.

² Provisional surtax of 3 percent imposed in 1932.

³ Sales tax of 2 percent in force in 1928.

⁴ In addition a 3 percent ad valorem excise tax is charged on all imports. The sales tax is 6 percent.

⁵ Gold dollars.

TABLE 45.—Grapefruit: Import duties as of Apr. 1, 1933, compared with those in effect Nov. 1, 1928, and the import restrictions and regulations in the chief importing countries of the world

Country and currency	Unit	Duty Nov. 1, 1928	Duty Apr. 1, 1933	Import restrictions and regulations
United Kingdom: ¹ Apr. 1 to Nov. 30--	Hundred-weight (112 pounds) net.	Free-----	5 shillings-----	Sanitary inspection. Gold payments suspended. Sept. 21, 1931.
Dec. 1 to Mar. 31--	do-----	do-----	10 percent ad valorem.	
Apr. 1 to Nov. 30--	Box, net-----	do-----	\$0.53-----	
Dec. 1 to Mar. 31--	do-----	do-----	10 percent ad valorem.	
Germany (reichsmark—par value, 23.82 cents).	{100 kilos, net-- Box, net-----	2.50 marks, \$0.19-----	2.50 marks----- \$0.19-----	{Sanitary inspection. Exchange purchases limited to about 50 percent same month 1931.
France (franc—par value, 3.92 cents).	{100 kilos, gross-- Box, gross-----	35 francs----- \$0.50-----	35 francs----- \$0.50-----	{Sanitary inspection; certificate required. Regulated by quota and license.
Netherlands (florin—par value, 40.20 cents).	Ad valorem--	Free-----	Free-----	Sanitary inspection.
Belgium (franc—par value, 2.78 cents).	{100 kilos, net-- Box, net-----	45 francs----- \$0.40-----	51.75 francs----- \$0.46-----	{Exchange restrictions. Gold payments suspended Sept. 29, 1931.
Denmark (krone—par value, 26.80 cents; current, 15.27 cents).	{100 kilos, net-- Box, net-----	6.50 crowns----- \$0.55-----	6.50 crowns----- \$0.32-----	
Sweden (krona—par value, 26.80 cents; current, 18.12 cents).	{100 kilos, net-- Box, net-----	10 crowns----- \$0.85-----	20 crowns----- \$1.15-----	{Gold payments suspended Sept. 29, 1931.
Norway (krone—par value, 26.80 cents; current, 17.52 cents).	{100 kilos, net-- Box, net-----	22.50 crowns----- \$1.91-----	27 crowns----- \$1.50-----	{Gold payments suspended Sept. 29, 1931. Unofficial exchange restrictions.
Argentina (gold peso—par value, 96.48 cents; current, 58.22 cents.)	{100 kilos, gross-- Box, gross-----	Free----- do-----	4.20 gold pesos----- \$0.89-----	{Sanitary inspection; certificate required. Suspended gold payments Dec. 16, 1929. Partial exchange restrictions.
Cuba (peso—par value, \$1).	{100 kilos, gross-- Box, gross-----	1.60 gold pesos----- \$0.58-----	1.60 gold pesos----- \$0.58-----	{Sanitary regulations; certificate of origin required; citrus from Texas barred.
Canada (dollar—par value, \$1; current, 83.13 cents).	{100 pounds net. Box, net-----	\$1 ² ----- \$0.70 ² -----	\$1 ³ ----- \$0.58 ^{3 4} -----	{Sanitary regulations. Prohibited gold exports Oct. 19, 1931.

Compiled by the Foreign Agricultural Service of the Department of Agriculture and the Division of Foreign Tariffs Department of Commerce. Converted to dollars at the prevailing rates of exchange as of Apr. 1, 1933. A box is considered as weighing 70 pounds net and 80 pounds gross.

¹ Currency: Pound sterling which has a par of \$4.867 and was worth \$3.422 on Apr. 1, 1933.
² Sales tax was 2 percent in 1928.
³ Plus a 3 percent ad valorem excise tax. The sales tax is 6 percent.
⁴ Gold dollars.

TABLE 46.—Oranges: Exports from the United States to principal countries, by seasons, 1926-27 to 1931-32

Season ¹	Canada	United Kingdom	Continental Europe	Total
	1,000 boxes	1,000 boxes	1,000 boxes	1,000 boxes
1926-27-----	2,684	619	49	3,612
1927-28-----	2,183	144	19	2,542
1928-29-----	3,720	1,388	216	5,582
1929-30-----	1,953	48	1	2,189
1930-31-----	3,137	1,136	462	4,936
1931-32-----	2,404	414	217	3,203

Compiled by the Foreign Agricultural Service from official sources.
¹ November to October inclusive.

Over 70 percent of the orange exports of the United States are ordinarily shipped to Canada. Until 1931 there were no restrictions on orange imports into that country. Canada was, in fact, looked upon simply as an extension of the domestic market. On June 2, 1931, Canada placed a tariff of 35 cents per cubic foot, approximately 70 cents per standard box, on oranges imported from the United States. Oranges from Empire countries were left on the free list.

Prices of American oranges in Canada have risen in relation to prices in American markets since the imposition of the Canadian

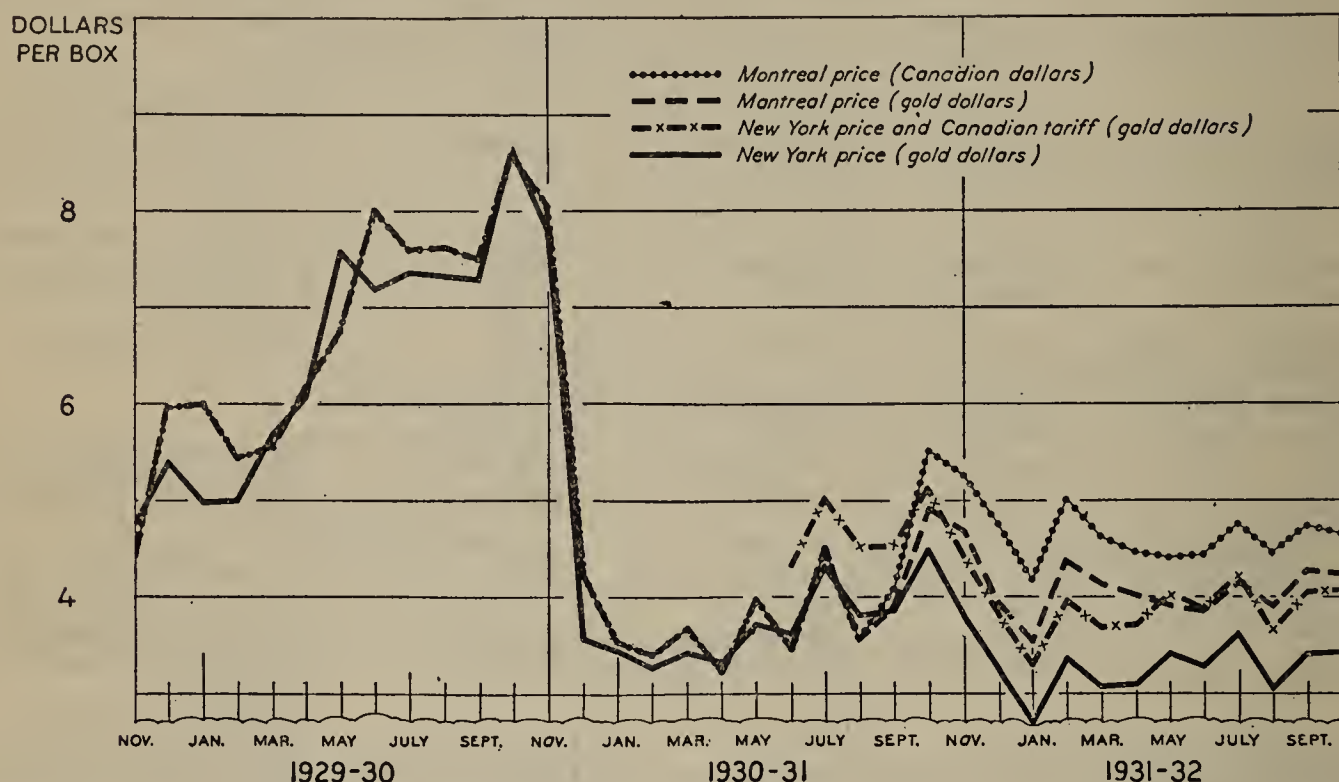


FIGURE 23.—MONTHLY ORANGE PRICES AT MONTREAL, CANADA, COMPARED WITH THOSE AT NEW YORK.

tariff. Figure 23 shows the course of prices of California oranges on the Montreal and New York markets over a period of years. It will be noted that in September and October 1931, orange prices in Montreal rose sharply in relation to the New York price. This advance continued into November when it reached a point slightly higher than the New York price plus the Canadian tariff and fluctuated in that neighborhood for the succeeding 12 months. It consequently appears that Canadian dealers and consumers have absorbed the amount of the tariff. How much this increase in the price of oranges in Canada has affected consumption of American oranges is difficult to measure. Exports of American oranges to Canada have declined in the two seasons since the tariff was established, both in actual volume and in relation to production in the United States. Exports of oranges to Canada during the 1931-32 season amounted to 2,404,000 boxes or 5.7 percent of the United States commercial production as compared with 3,137,000 boxes or 6.5 percent of production in 1930-31. Not all of this decline can be attributed to the Canadian tariff. Depressed business conditions and reduced purchasing power in Canada have also been important factors. It is reasonable to assume, however, that the higher prices for American oranges in Canada resulting from the tariff have contributed substantially to the reduced consumption of American oranges in that country.

In addition to the effect of the duty on consumption there has been some displacement of American oranges by Empire products. Canadian imports of oranges from Jamaica, Australia, and South Africa have tended to increase. Of these countries Jamaica probably offers the greatest threat of competition. In the early years of the twentieth century Jamaica shipped around one half million boxes of oranges annually to the United States. These exports fell off and gradually disappeared, and production in Jamaica declined. The preferential free entry into the Canadian market for Jamaican oranges has stimulated a revival of Jamaican orange production. Trade with Canada has been further encouraged by the establishment of direct steamship lines. South Africa and Australia also produce considerable quantities of oranges, and some increase in exports to Canada may reasonably be expected. The increased competition from these sources would fall chiefly on California Valencias which are shipped from May to November. The British Mandated Territory of Palestine, one of the world's great orange exporters, was recently granted free entry into the Canadian market for the period from January to April, inclusive. Exports of oranges from Palestine have been increasing rapidly in recent years. It seems probable, however, because of the proximity of Canada and because of the preference that has been developed in that country for high-quality American oranges, that the United States will be able to retain a substantial proportion of the Canadian orange market.

The United Kingdom is the only other important foreign market for American oranges. Most of the United States exports to that country are "summer" oranges shipped during the period April to November. Exports of "winter" oranges, which make up the greater part of the American orange supplies, have been small, largely because of the strong competition in the British market during this season from Spanish and Palestine oranges. About 18 percent of the total exports of oranges from the United States and about 26 percent of the "summer" exports went to Great Britain during the five seasons 1926-27 to 1930-31.

On November 1, 1932, Great Britain imposed a duty of 10 percent ad valorem on oranges imported from foreign countries for the period December 1 to March 31 of each year and a duty of 3s. 6d. per hundredweight of 112 pounds (about 35 cents per box) on oranges imported during the period April 1 to November 30. British Empire oranges continued to be admitted free of duty. The 10 percent ad valorem duty during December to March is of little significance to the American orange industry since the United States exports to Great Britain during the winter are confined to small shipments of the highest quality fruit. Moreover, the same duty is applied to Spain, the leading source of imports during this season. The specific duty imposed during April to November promises to work some injury to United States exports to Great Britain. In addition to the adverse effect on consumption of higher prices resulting from the duty it will intensify the competition from Union of South Africa oranges. Since the Union of South Africa was the leading competitor of the United States for the British "summer" orange market under conditions of free entry from all sources, the preference now existing may well lead to substantial displacement of American oranges by the South African product.

GRAPEFRUIT

The export situation for grapefruit is in many ways similar to that for oranges. There is, however, the significant difference that the United States, including Puerto Rico, is in a much more dominant position with respect to world production of grapefruit than it is for oranges. Furthermore, there are no important British Empire countries in a position at present to benefit substantially from the existing preferential tariff in Canada and Great Britain.

American exports of grapefruit have been rising rapidly in recent years in line with increasing production. Florida supplies most of the exports, with the remainder furnished by California, Arizona, and Texas. The United Kingdom and Canada take almost 95 percent of the grapefruit exported from the United States. (Table 47.)

TABLE 47.—*Grapefruit: Exports from the United States to principal countries, by seasons, 1926-27 to 1931-32*

Season ¹	Canada	United Kingdom	Continental Europe	Total
	<i>1,000 boxes</i>	<i>1,000 boxes</i>	<i>1,000 boxes</i>	<i>1,000 boxes</i>
1926-27.....	276	310	18	625
1927-28.....	279	415	14	732
1928-29.....	341	583	19	969
1929-30.....	299	461	19	809
1930-31.....	433	845	52	1,361
1931-32.....	441	630	25	1,119

Compiled by the Foreign Agricultural Service from official sources.

¹ September to August, inclusive.

Since November 1, 1932, Great Britain has had a duty of 10 per cent ad valorem on foreign grapefruit imported during the months of December to March and of 5 shillings per hundredweight (about 50 cents per box at exchange rates prevailing during March 1933) for the period April to November, inclusive. Most of the United States grapefruit has been shipped when the higher specific rate was in effect.

The British West Indies and the Union of South Africa are the principal Empire grapefruit producers, but production in these countries is small compared with that of the United States. Nevertheless, production has been increasing in recent years, and British imports of grapefruit from these Empire sources have been rising. The principal shipping season for British West Indies grapefruit occurs during the season when the lower ad valorem rate is in effect. South African fruit is shipped largely during the summer months when the specific rate is applied. In view of the start that has already been made in grapefruit production and exports from the West Indies and South Africa, it may be expected that continued preferences by Great Britain would lead to further expansion and a consequent reduction in the share of grapefruit supplied by the United States in the British market.

Canada has had a tariff on grapefruit equivalent at par of exchange to about 70 cents per box since May 10, 1921. During this period American exports of grapefruit to Canada have steadily increased.

Since April 1927 grapefruit from Empire sources has been free of duty in Canada if shipped direct from the country of production. The production of grapefruit in Jamaica has been stimulated by reason of this preferential rate and the establishment of direct steamship lines from Jamaica to Canada.

The volume of grapefruit exports from the United States has not as yet been seriously affected by the Canadian and British import duties. But the British West Indies and some other British Empire countries appear to have considerable potentialities as grapefruit producers and, under the stimulus of free entry into the important British and Canadian markets, these potentialities will doubtless be more fully exploited. This would lead to a reduction in the share of the Canadian and British imports supplied by the United States but not necessarily in the quantity of exports, since grapefruit consumption in these countries has been increasing and will probably continue to increase with the return of more prosperous times.

CHAPTER XII

COTTON

The measures adopted by foreign governments directly affecting cotton may be classified as follows: measures aiming to promote production; measures to stabilize prices and restrict production; and tariffs, other taxes, and foreign-exchange regulations affecting cotton, or cotton manufactures. In addition, economic policies generally have been so shaped in some countries as to have pronounced effects on the cotton-textile industries and indirectly on the American producer.

On the whole, measures and policies of foreign governments on unmanufactured cotton have had comparatively little effect upon American producers. Significant increases have been made in foreign production during the post-war period, but for the most part they have been responses to the high prices resulting from short United States crops in the early post-war period and recoveries to normal production in foreign countries. Tariffs are characteristically low on raw or unmanufactured cotton, and regulations of foreign exchange for the purchase of cotton in those countries having such regulations tend to be liberal. Although trade restrictions on raw cotton have had little effect in bringing about the present situation, the measures and policies that affect cotton indirectly have been important. Tariffs and boycotts on cotton textiles have disrupted trade channels, thus reducing market outlets and depressing industries in exporting countries, while expanding the textile production capacity of other countries. The industrial policies of nations have tended to emphasize the development of textile industries, and this resulted in major shifts in the centers of cotton-mill consumption. Recent monetary changes have accentuated these changes. The shifts in manufacturing centers have been so pronounced and rapid that they have apparently accentuated the effects of the general depression.

MEASURES AFFECTING PRODUCTION

Measures of governments affecting production are of three types, those of a fostering type in which the government or subsidized agency conducts research and gives advice on production or marketing, those of an active promotional type in which the agency becomes a party in a program to promote production, and those of a restrictive nature, the net effect of which is to reduce production. In practically all of the 56 countries that regularly report production of cotton, some official, semiofficial, or private agency has been organized to encourage and give expert advice on various phases of cotton production and marketing, usually with a direct or tacit support and cooperation of the government. In some of the principal consuming

countries the mills or government have set up agencies to promote cotton production, particularly in the colonies of these countries. These activities reflect the desire of mills to add to the sources of supplies of cotton, and in part they reflect the general developments of producing regions throughout the world. (Following the virtual cotton famine that occurred in the years of short American crops after the war, these efforts were increased.) Over a period of years such measures have undoubtedly increased cotton production. Prior to the World War, however, they were accompanied by an increase in consumptive requirements, and American producers gained larger foreign markets while the developments were occurring. As can be seen from the figures in table 48, foreign production outside of China increased 76 percent, or 3,153,000 bales, from the average for the years 1893 to 1897 up to the period 1910 to 1914. But exports from the United States also rose 3,100,000 bales, or 50 percent between these periods, and cotton prices, after allowing for the rise in the general commodity price level, rose 17 percent.

TABLE 48.—*United States production, exports, and prices of cotton and foreign production in representative periods*

Period by years, beginning Aug. 1	Price ¹	Deflated price ²	Domestic exports	United States production	Foreign production excluding China
	<i>Cents</i>	<i>Cents</i>	<i>Bales 478 pounds</i>	<i>Bales 478 pounds</i>	<i>Bales 478 pounds</i>
1893-97-----	7. 27	10. 36	6, 192, 000	8, 821, 000	4, 148, 000
1910-14-----	12. 02	12. 09	9, 300, 000	14, 259, 000	7, 301, 000
1921-23-----	25. 42	17. 83	5, 723, 000	9, 283, 000	6, 908, 000
1927-31-----	14. 69	11. 64	7, 927, 000	14, 658, 000	9, 400, 000

¹ New York spot prices.

² Deflated by Index of All Commodity Prices at Wholesale, 1910-14=100.

The expansion in foreign cotton production that proved embarrassing to American farmers came in the years following short American crops. In this expansion, governmental aid and other direct and indirect subsidies to cotton production were significant, but in reality they were themselves more a response to the short American crops and high prices than independent causes.

In 1921 the United States cotton crop fell to 7,954,000 bales, the lowest since 1895. Production remained low for the next 2 years, and prices, after allowing for changes in the general price level, averaged 47 percent above the 1910 to 1914 level. Exports averaged nearly 40 percent below those of 1910 to 1914.

Foreign production had reached a low point in 1920, but it rose nearly 4,000,000 bales in the following 5 years. Moreover, although the principal cause of the small crops in the United States, the boll weevil, remained, a huge increase in acreage and a partial recovery in yields caused production in this country to rise sharply. The United States crop of 18,000,000 bales in 1926 was the largest on record and was 10,000,000 bales above the crop of 1921. The increase in United States production and the correlation between prices and production both in the United States and abroad make it clear that aids to foreign producers were secondary in importance to the high prices, in the stimulation of foreign production.

BRITISH ORGANIZATIONS TO PROMOTE COTTON PRODUCTION

For many years the British Government and British cotton manufacturers have been endeavoring to stimulate cotton growing in new areas, particularly within the British Empire. Some of these activities have had financial support from the Government, others have been private. Most of the activity has been carried on through two promotional organizations, the British Cotton Growing Association, a private company formed in 1904, and The Empire Cotton Growing Corporation, a government-assisted body chartered in 1921 but not definitely placed in operation until 1923. The functions of The Empire Cotton Growing Corporation are to encourage cotton growing, make surveys of potential cotton-growing regions, and establish and maintain research facilities. The functions of the British Cotton Growing Association are more specific, as the establishment and maintenance of ginneries, the distribution of cottonseed to growers, and the establishment of model farms and the purchase of cotton from the natives.

The British Cotton Growing Association has an authorized capital of £500,000, and although a private organization, it has always worked in close harmony with the home Government and the colonial and Dominion Governments in the areas in which its activities have been conducted. Its revenues have been the income from its operations as a private enterprise, but its promotional activities have required the development of technical and scientific work. Although the British Cotton Growing Corporation is still operating, the British Government apparently felt, after the World War, that further encouragement should be given to Empire cotton growing. Accordingly, The Empire Cotton Growing Corporation was chartered in 1921, and got definitely under way in 1923 after the enactment of the cotton industries act. The Government placed £979,000 at the disposal of this corporation. Under the act, British cotton spinners were assessed 6 pence per bale of cotton purchased by them for 5 years. In 1928 the assessment was reduced to 3 pence per bale, and in 1930 to 1 penny per bale.

FRENCH AGENCIES

Cotton growing in the French colonies has been entrusted to the Colonial Cotton Association, organized in 1903. The association has for its purpose the development of cotton growing in the French colonies, and encouragement of the use of colonial cotton by French spinners. The association was given a subsidy of 1 franc per bale of cotton consumed by French spinners on 80 percent of their active spindles. This income was considered inadequate, and in 1927 an import duty of 1 franc per hundred kilograms (equivalent to about 0.02 cent per pound) was imposed on raw cotton imported into France.

ITALIAN, PORTUGUESE, AND BELGIAN AGENCIES

The Italian and Portuguese Governments have encouraged the development of cotton growing in their respective African colonies, but so far little progress has accompanied these efforts. The Belgian Government and private companies have promoted cotton growing

in Belgian Congo. These efforts met with some success prior to the recent decline in cotton prices, but production in the Belgian Congo has not become sufficient to make it an important factor in the world markets.

JAPANESE AGENCIES

Japan is making efforts to promote cotton growing, mainly in Chosen, but also in southern Manchuria, and an association has been formed for promoting cotton growing in the latter area. Also the South American Colonization Co. has been established by a large Japanese spinning concern in cooperation with other Japanese concerns. This company has received a concession from one of the Brazilian States placing about 2,500,000 acres under its control to be assigned to Japanese colonists. A few thousand acres are reported to have been leased in Peru by Japanese interests also. It is stated that the Japanese Government contributes a portion of the traveling expenses to the emigrating colonists.

INDIA

India is the principal foreign cotton-producing country, and accounted for over half the total increase in foreign production from 1920 to 1925. In addition to the British organizations, there are local cotton-promoting agencies throughout the Empire. The Indian Central Cotton Committee was established in March 1921 for the purpose of encouraging improvement in production and marketing methods, and improvement in the quality of Indian cotton. This organization is supported mainly by a levy on cotton consumed in India, as well as on that which is exported. This levy amounted to 8 cents per Indian bale (0.02 cent per pound) from 1923 to 1926, and about half this amount since 1926. The Empire Cotton Growing Corporation has a representative on the central committee.

The Indian Government also contributes indirectly to the promotion of cotton growing by financing the construction of irrigation works, and by laws for the purpose of improving production and marketing of cotton. Two acts in effect at present were designed particularly to improve the grade of Indian cotton. They are the cotton ginning and pressing factories act, passed in 1925, and the cotton transport act of 1923. The purpose of the former act is to regulate cotton ginning and pressing factories, and the purpose of the latter act is to regulate the transportation of cotton so as to prevent the mixing of inferior cotton with cotton of better quality.

Import restrictions are maintained for quarantine purposes, and cotton may be imported only through the port of Bombay. The tariff on raw cotton amounts to 6 pies per pound (equivalent to about 1.15 cents per pound at par, or about 0.8 cent per pound at the exchange rate prevailing in February 1933). Since India exports so large a portion of its cotton, it is obvious that this tariff does not affect the prices of the bulk of Indian cotton.

The increase in India's production from the low point of 1920 to the high point of 1925 amounted to 2,188,000 bales of 478 pounds, or 73 percent. Prior to 1925 it appears that the quality of the Indian crop improved. Since then, the volume of production has declined materially, however, and it appears that the quality of the crop has

not continued to improve. From this it would seem that the previous increase in quantity and improvement in quality was primarily a response to high prices (table 49).

TABLE 49.—Cotton production in selected countries

Year begin- ning Aug. 1—	United States	India	China	Egypt	Russia	Brazil	Peru	Anglo-Egypt- tian Sudan	Uganda	Other coun- tries	Foreign, ex- cluding China	Total foreign
	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹	1,000 bales ¹
1910-14.....	14,259	3,657	-----	1,513	² 1,327	415	107	14	22	590	7,301	-----
1920.....	13,440	3,013	1,883	1,251	58	476	177	26	82	694	5,777	7,660
1921.....	7,954	3,752	1,514	902	43	504	186	20	40	485	5,932	7,446
1922.....	9,755	4,245	2,318	1,391	55	553	197	24	74	688	7,227	9,545
1923.....	10,140	4,320	1,993	1,353	196	576	212	38	108	764	7,567	9,560
1924.....	13,628	5,095	2,178	1,507	453	605	212	41	164	917	8,994	11,172
1925.....	16,104	5,201	2,102	1,650	782	602	204	106	151	998	9,694	11,796
1926.....	17,977	4,205	1,742	1,586	830	512	246	131	110	1,061	8,681	10,423
1927.....	12,955	4,990	1,875	1,261	994	487	246	112	116	964	9,170	11,045
1928.....	14,478	4,838	2,466	1,672	1,174	525	225	142	171	1,209	9,956	12,422
1929.....	14,828	4,289	2,116	1,768	1,279	584	303	139	108	1,086	9,556	11,672
1930.....	13,932	4,372	2,250	1,715	1,589	470	-----	106	158	911	9,614	11,864
1931.....	17,096	3,368	1,700	1,288	1,851	570	-----	206	163	1,010	8,704	10,404
1932 ³	12,994	3,779	2,300	950	1,950	348	-----	120	230	1,000	8,706	11,006

Division of Statistical and Historical Research, Bureau of Agricultural Economics, U.S. Department of Agriculture.

¹ Figures given for bales of 478 pounds net.
² Average for 1914, 1915, 1916.
³ Preliminary.

CHINA

In China efforts to promote cotton production have been directed chiefly toward the introduction of improved native varieties and of American varieties. In order to do away with certain malprac- tices, a cotton-testing department was established, with branches in Shanghai, Tientsin, and Hankow, where all cotton destined for export is inspected for excessive moisture and other forms of adulteration. The cotton-testing department also conducts educational and research work.

There is a a tariff on raw cotton amounting to 2.1 gold units of 40 cents each per picul, equivalent to 0.63 cent per pound. Sur- taxes on imported goods are collected at several ports. At Shang- hai and Foochow these taxes are 0.25 percent ad valorem, at Tienstin, 0.7 percent ad valorem, at Nanking, 0.1 percent ad valorem, and at Hankow, 1 percent ad valorem. There is a surtax of one twentieth of the duty on all imports. There are no excise taxes nor import restrictions on cotton. China imports large amounts of Indian and American cottons, and the import duties have a price influence on these types of cotton in China. Some types of Chinese cotton are exported, however, so that the effects of the tariff are not general.

China is the second largest foreign producer of cotton, but the size of the total crop is unknown and little is known of the trends of total production. The increase in the so-called “commercial crop” is clearly the result of a larger proportion of the crop being manufactured commercially, and does not reflect a trend in total production. The figures shown in table 2 are for production in cer- tain Provinces. No definite trend is apparent in these figures. The promotional activities and tariffs have, therefore, had no pronounced effect on Chinese cotton production in recent years.

EGYPT

Cotton growing and marketing constitute the most important enterprise in Egypt, and until recently that country was the third largest foreign cotton producer. The Egyptian Government has undertaken programs that affect cotton growing, marketing, and prices more positively and in more ways than the government of any other established cotton-growing country. Although all measures adopted by the Government are presumed to be beneficial to the industry in the long run, if not immediately, many of them directly restrict production or trade.

Governmental agencies conduct research studies on cotton varieties, production technic, costs of production and marketing efficiency, and they sell seed and fertilizers to farmers. The Government also provides irrigation facilities and determines the amount of water that may be used on each of the various crops. On the financial side, the Government makes loans to farmers, has established agricultural credit banks, extended time for payment of land taxes, and, as it could not reduce rents directly, decreed in 1930 that native courts dismiss all rent cases where as much as 80 percent of the agreed rent had been paid. Export taxes on cotton were reduced from 35 piasters per kantar (or $1\frac{3}{4}$ cents per pound) to 25 piasters in 1922, 20 piasters in 1926, and 10 piasters per kantar (or one half cent per pound) in 1931.

The Government has entered the market many times, usually to improve prices. In 1914 the intervention consisted of closing the market and fixing prices in order to avoid the disrupting effects of the war. At subsequent times they have purchased cotton in order to force prices up, and have named prices at which they would buy all cotton offered. Some of these efforts were aimed to raise prices of Egyptian cotton irrespective of the prices of other growths; others were aimed to increase the price margin of Egyptian cotton over American cotton.

Purchases were made during the minor depression slump in 1918 and thereafter prices rose materially. In 1921 purchases were made and prices advanced, but the advance was somewhat temporary. Purchases made in 1922 with the objective of increasing the price spread of Egyptian over American cotton were effective during the period in which purchases were made, but the gains were not held. A similar attempt in 1923 was successful, and purchases made in 1924 were fairly effective, but those in 1925 were not. Large purchases in 1926 resulted in the Government holding large stocks, as did the purchases in 1929 and 1930. The programs of governmental purchases of cotton met with considerable success in periods of temporary depression and may have aided Egyptian farmers in meeting world competition during such periods, but the programs were not adequate for coping with major declines in the general price level, such as that of 1929 to 1932.

Cotton planting has been restricted as a further measure to support prices. A cotton-acreage restriction law had been passed in 1914 as a war measure to insure food supplies, but the laws passed to restrict plantings in the years 1921, 1922, 1923, 1926, 1927, 1928, 1929, 1931, 1932, and 1933 were intended to reduce stocks and benefit prices. The Egyptian Government clearly has more power to affect plantings

than have most other governments, but it is extremely difficult to determine the effectiveness of these cotton-acreage laws. It is generally recognized that little attempt was made to enforce the laws in years of price recovery, and it is not certain that the laws were in effect soon enough to have been effective or that serious attempts were made to enforce them in most years when prices were low. In any event, it is clear that much of the acreage reduction in such years was due to low prices rather than to the laws. It is probable, however, that the laws had some influence, especially in 1931 and 1932. Regardless of the influence, production in 1932 was reduced almost to the low level of 1921, and was little more than half that of 1929. Although supplies decreased, prices of Egyptian cotton fell with prices of other cottons, and the price margins for Egyptian cotton were not maintained.

The unsatisfactory price effects can be attributed partly to the increase in supplies of long-staple cotton from other countries, but mostly to the low consumer buying power, with the resulting extreme depression in the fine-goods textile industries. The unfavorable situation is emphasized, no doubt, by the United States tariff on long-staple cotton.

Although the decreased production has relieved the market of some of its burdensome supplies, prices remain low. Moreover, the increased production of other crops in Egypt has reduced the prices of those products and the restrictions on cotton planting have been relaxed so as to permit more cotton to be grown in 1933.

The Egyptian Government has followed the practice generally of maketing its stabilization stocks gradually so as to affect the market as little as possible. This, of course, has constituted a further restriction program. More recently the policy has been changed in a way that may be very important in the future. The Government has sold cotton on favorable terms to mills that formerly have not used Egyptian cotton, provided the mills agreed to use Egyptian cotton over a period of years. This policy, if maintained, may broaden the demand for Egyptian cotton, and is a sharp contrast to the policy of restriction generally followed by the Egyptian Government.

On the whole, it appears that the program of the Egyptian Government has lessened rather than increased the competition offered by Egyptian growers in world markets. It is doubtful, however, that this situation will prevail in the future. The relaxation in the acreage law applicable to 1933, despite the continued low prices of cotton, demonstrates that Egypt can not long continue a program of restricting its major economic activity.

RUSSIA

Cotton production has been greatly increased by the Soviet Government since 1921, and it has been contended that a continuation of this policy would result in a vast expansion in the future. But an examination of the trends of cotton production in Russia shows that Russian production rose to a high point of 1,500,000 bales in 1915 and thereafter declined sharply until 1921, when it amounted to less than 50,000 bales. Practically the entire expansion since 1921 has been in the nature of a recovery. Acreage is reported to have

risen far above previous levels, but production has exceeded the 1915 level only in the years 1930, 1931, and 1932. Some reports indicate that even these figures may overstate the increase. It is now apparent that some of the areas into which cotton production was introduced are not well suited to the crop, and it is doubtful that they will become important producers. On the other hand, cotton consumption is increasing in Russia and can be expected to make further increases. Over a period of years it is probable that the increase in consumption of cotton in Russia will at least equal, if not exceed, the increase in cotton production.

BRAZIL

Brazil is the most important cotton producer in South America and is said to have vast areas of land that are suitable to cotton production. Over a period of years production has been increasing gradually, and during the period of short world supplies special efforts were put forth by British and other mill interests to encourage cotton production and export trade in Brazil. Brazilian production reached a peak of around 600,000 bales in 1924 and 1925, but the high prices prevailing at that period were probably the primary cause of the expansion. Nevertheless, the increase in Brazil's production was moderate, and for the most part it was offset by an increase in Brazilian mill consumption. Cotton production has shown no definite trend in Brazil since 1925, but in years of unfavorable growing conditions, such as 1930 and 1932, the crop has been greatly reduced. It is not apparent that the efforts put forth to stimulate production in Brazil had any marked effect on world competition, although in 1929-30, when stabilization efforts held the price of American cotton high relative to other growths, exports from Brazil were greatly increased.

PERU

Cotton production in Peru is increasing gradually, and from 1925 to 1929 the crop averaged about 250,000 bales compared with about 100,000 bales for the period 1910 to 1914. Agricultural agencies conduct research work and the Government's export tax on cotton was reduced to help the growers in meeting world competition.

ANGLO-EGYPTIAN SUDAN

The outstanding developmental project in cotton growing is that of Anglo-Egyptian Sudan. This project has been fostered by the British cotton-mill interests and the Sudan Government is a party to the project. A part of the cotton is rain-grown and a part of it is grown on flood lands, but the most important development is in the Gezira section which has been irrigated at a large investment.

Cotton production in the country has increased from 14,000 bales on the average for the years 1910-14 to 206,000 bales in 1931. Estimates of the potential development in Sudan vary widely, but those made prior to recent years were characteristically high. These high estimates undoubtedly attracted undue attention to the increases that actually took place in supplies from the Sudan. It has been ob-

served, however, that yields tend to decrease on the sections that have been under cultivation for several years and plant diseases were very bad in 1929 and 1930. In 1930 the crop amounted to only 106,000 bales, a decrease of 36,000 bales from that of 1928, and this, together with the low prices of cotton, led to discouragement as to the financial success of the venture. The improved growing conditions in 1931 gave more hope, but the continued low prices make it evident that areas requiring large capital outlays will have difficulty in competing in the world cotton markets unless the price of cotton rises materially.

UGANDA

The program for developing cotton production in Uganda ranks second only to that of Anglo-Egyptian Sudan as an example of promotional effort in cotton growing.

Production rose from 22,000 bales annually in the pre-war period to 171,000 bales in 1928, and in 1931 production amounted to 163,000 bales. The promotional activities have consisted of organizing the labor supply and encouraging natives to adopt modern methods and standards of living that will make them want to increase their earning capacity, and of supplying modern equipment and improving the transportation facilities. It is clear that the efforts brought forth increased supplies of cotton in the years prior to 1925. Since then production has been about stationary, varying from 171,000 bales at the high point in 1928 to 108,000 bales in 1929. It has become evident in Uganda, as in Anglo-Egyptian Sudan, that it is difficult to get native labor to work efficiently in periods of low prices.

OTHER COUNTRIES

Developmental programs similar in nature to those already discussed have been undertaken in many countries. It is not clear, however, that these programs have caused cotton production to expand more than it would have been expanded under the stimulus of the general development of the countries and the reaction of producers to cotton prices. In fact the programs may be interpreted as essential aspects of a response on a large scale to high cotton prices. Production in these countries rose from about 600,000 bales in the pre-war period to about 700,000 bales in 1920, but fell with low prices to about 500,000 bales in 1921. Then, under the stimulus of high prices, production in these countries rose to exceed 1,000,000 bales in 1926, and reached a peak of 1,200,000 bales in 1928. Thereafter production declined as prices fell, and amounted to about 1,000,000 bales in 1931.

To summarize: A material increase has taken place in foreign cotton production during the post-war period. Coupled with the increase have been attempts to foster cotton production by governmental and private agencies in most of these countries. Most of the increases, however, occurred in years of high cotton prices, and it is clear that the high prices were the primary cause of the increases in production. It was the short supplies of American cotton that gave rise to the high prices.

TRADE RESTRICTIONS ON UNMANUFACTURED COTTON

Trade restrictions on unmanufactured cotton are relatively few and small and have had little effect on cotton exports from the United States. But several types of restriction exist, such as tariffs on cotton, general import taxes, and general sales taxes applying to cotton as well as to other goods, and exchange restrictions.

In addition to the tariffs already discussed, those of Italy, Spain, and Poland may be cited. Italy has a tariff of 18.4 paper lire per hundred kilos plus 15 percent *ad valorem*. At the rate of exchange prevailing in February 1933, 18.4 lire per hundred kilos was equivalent to 42.7 cents per hundred pounds. In addition, on sales amounting to 100 lire and over in value, there is a sales tax of 0.5 lira per 100 lire or fraction thereof. Spain has a tariff of 1.3 gold pesetas per hundred kilos, applicable to American cotton (equivalent to 11.38 cents per hundred pounds) plus a special tax of 1 paper peseta per hundred kilos (equal to about 3.7 cents per hundred pounds in February 1933). Special taxes of 1 percent of the duty are levied on imports through the port of Barcelona and 0.85 gold peseta per metric ton on all goods except automobiles imported through the port of Santander. Poland has a general cotton tariff of 45 zlotys per hundred kilos gross weight on raw cotton. This is equivalent to \$2.29 per hundred pounds. Cotton brought in through ports of the Polish customs territories and with the permission of the Polish minister of finance, however, is not subject to the general cotton tariff, but is subject to a special cotton tariff of 1 zloty per hundred kilos, or 5.1 cents per hundred pounds. Cotton brought in with the permission of the ministry of finance, but through other than ports of the Polish customs territory, was also subject to the tariff of 1 zloty per hundred kilos up to December 31, 1932, but is subject to a duty of 6 zlotys per hundred kilos during 1933, and will be subjected to a duty of 12 zlotys per hundred kilos beginning January 1, 1934. Although all duties are in terms of gross weight, there is a deduction of 2 percent of the duty if the cotton is in bales, and a deduction of 5 percent of the duty if it is in bales with iron ties. There are clearance charges equal to 20 percent of the duty. The effect of the Polish tariffs is to force all cotton to enter the country with the permission of the Polish ministry of finance and through ports of the Polish customs territory. Clearly, the tariffs of Italy, Spain, nor Poland are high enough to restrict imports.

In several countries general taxes are applicable to cotton. For example, in the Netherlands there is a statistical tax on all imports of one half of 1 percent *ad valorem*. France has a sales tax of 2 percent *ad valorem* on imports. Germany has a sales tax of 2 percent *ad valorem* levied on import transactions and on domestic sales. Canada has an excise tax on all imports of 3 percent *ad valorem* and a sales tax of 6 percent *ad valorem* which applies to imports unless brought in by licensed manufacturers of taxable goods as well as to subsequent sales. In Belgium there is a transmission tax of 2.2 percent *ad valorem*.

Czechoslovakia requires the securing of a foreign exchange permit to import raw cotton. As a result, cotton is distributed among the mills according to schedule. Cotton spinners were assured that im-

port permits would be granted liberally, but when cotton prices rose in August of 1932 to levels well above those of the preceding year, it became difficult to get sufficient currency allotments for importing adequate supplies of cotton. Whether or not the currency restrictions would have been relaxed if cotton prices had remained at the higher levels was not determined.

Except for the United States tariff of 7 cents per pound on cotton having a staple length of $1\frac{1}{8}$ inches and longer, restrictions on international trade in raw cotton are of minor importance. Moreover, it is doubtful that they will become serious in the future. The important foreign cotton-manufacturing countries are not in cotton-growing regions. The primary interest of these countries is to get adequate and dependable supplies of cotton cheaply.

The import duties, surtaxes, and other fiscal charges on raw cotton, in effect December 1, 1931, in 54 countries, are shown in table 50, prepared by the United States Tariff Commission. Though it is not fully up to date, the tabulation suffices to indicate, for a long list of countries, the gist of the recent and existing situation with respect to import charges on raw cotton.

TABLE 50.—*Cotton, raw: Import duties, surtaxes, and other fiscal charges, as of Dec. 1, 1931*

Country	United States equivalents of foreign rates
	<i>Dollars per 100 pounds</i>
Argentina.....	1.92 (legal net weight), ginned; 0.64 (legal net weight), not ginned.
Australia.....	3.55 (net weight). Plus 16 percent ad valorem on c.i.f. basis (10 percent primage duty and 6 percent sales tax).
Austria.....	Duty free.
Belgium.....	Duty free but subject to sales tax of 1 percent ad valorem on c.i.f. basis.
Bolivia.....	2.55 ¹ (gross weight). Plus 6 percent ad valorem on f.o.b. basis, consular charge.
Brazil.....	13.59 ² (gross weight), ginned. Effective Dec. 11, 1931; 3.40 ² (gross weight), not ginned. Effective Dec. 11, 1931.
British India.....	0.77 (net weight).
Bulgaria.....	8 percent ad valorem on basis of wholesale selling price in domestic markets.
Canada.....	Duty free, but subject to excise tax of 1 percent and sales tax of 4 percent ad valorem on duty-paid value.
Chile.....	0.12 ³ (gross weight). Plus statistical tax of $3\frac{1}{2}$ percent ad valorem on c.i.f. basis.
China.....	0.63 (net weight). Plus flood relief surtax of 10 percent and port surtax of approximately 5 percent of the duty.
Columbia.....	4.41 (gross weight). Plus canalization tax of \$0.66 per 1,000 pounds if imported through north coast customhouses.
Costa Rica.....	1.35 (gross weight), ginned, for Province of Limon. Includes customs surtaxes of 5 percent and 10 percent, and consular charge of 4 percent of basic duty.
Cuba.....	0.16 (gross weight). Preferential rate to United States. Includes 3 percent of basic duty, public works surtax. Plus 2 percent ad valorem on f.o.b. basis, consular charge, and sales tax of $1\frac{1}{2}$ percent ad valorem on duty-paid value.
Czechoslovakia.....	Duty free.
Denmark.....	Do.
Dominican Republic.....	4.54 (gross weight).
Ecuador.....	1.81 (gross weight). Plus 4 percent ad valorem on f.o.b. basis, consular charge.
Egypt.....	Imports prohibited.
Estonia.....	Duty free.
Finland.....	Do.
France.....	Duty free, but subject to sales tax of 2 percent ad valorem, on duty-paid value.
Germany.....	Duty free.
Greece.....	2.09 (net weight), ginned. Includes surtax of 75 percent of the duty. Imports of unginned prohibited.
Guatemala.....	2.72 (gross weight), ginned; 0.91 (gross weight), not ginned. Plus 2 percent ad valorem, on f.o.b. basis, consular charge, in each case.
Haiti.....	0.91 (gross weight), ginned; 0.54 (gross weight), not ginned.

¹ Includes municipal surtax of 20 percent of basic duty and \$0.166 per 100 pounds (gross weight), railway construction tax.

² Includes 2 percent, in gold, of official valuation, port tax.

³ Includes \$0.0552 per 1,000 pounds (gross weight) customs surtax.

TABLE 50.—*Cotton, raw: Import duties, surtaxes, and other fiscal charges, as of Dec. 1, 1931—Continued*

Country	United States equivalents of foreign rates
	<i>Dollars per 100 pounds</i>
Honduras.....	7.37 ⁴ (gross weight), ginned; 4.88 ⁴ (gross weight), not ginned. Plus, in each case, 5 percent ad valorem, consular charge, and 1 percent ad valorem surtax on imports into San Pedro Sula through Puerto Cortez, both on f.o.b. basis.
Hungary.....	Duty free, but subject to import turnover tax of 3 percent on c.i.f. value.
Irish Free State.....	Duty free.
Italy.....	0.44 (gross weight). Plus 15 percent ad valorem import surtax, on invoice value, and sales tax: For sales up to \$5.26, \$0.005 for each \$1.05 or part thereof; for sales over \$5.26, \$0.026 for each \$5.26 or part thereof.
Japan.....	Duty free.
Mexico.....	7.31 (gross weight). Includes 3 percent of basic duty, customs surtax.
Netherlands.....	Duty free.
New Zealand.....	Do.
Nicaragua.....	0.62 ⁵ (legal net weight).. Plus 3 percent ad valorem, on f.o.b. basis, consular charge.
Norway.....	Duty free.
Panama.....	15 percent ad valorem, on f.o.b. basis. Plus 2 percent ad valorem, on f.o.b. basis, consular charge.
Paraguay.....	2.14 (gross weight). Plus 1½ percent ad valorem, on f.o.b. basis, customs surtax.
Persia.....	15 percent ad valorem on c.i.f. basis. Under control State trade monopoly. Import permits granted only on presentation of export certificates for equivalent amounts.
Peru.....	6.59 ⁶ (gross weight). Plus 8 percent ad valorem, on f.o.b. basis. (3 percent customs surtaxes and 5 percent consular charges.)
Portugal.....	0.63 (gross weight, in bales). Less 8 percent of duty if loaded on Portuguese vessels at port of origin or at certain recognized European ports of transshipment. Plus minor customs house, port, and unloading fees; impost of one tenth of 1 percent, and sales tax of 2 percent, both on duty-paid value; also, consular invoice and visa fees.
Rumania.....	0.09 (gross weight).
Soviet Russia.....	20 percent ad valorem (on c.i.f. basis, Russian port or frontier) and subject to State trade monopoly. If imported via the port of Murmansk, the rate (except on Egyptian cotton) is 16 percent or 15 percent, respectively, during the summer and winter navigation period (Apr. 15 to Nov. 14, and Nov. 15 to Apr. 14).
Salvador, El.....	1.13 (gross weight). Plus 6 percent ad valorem, on f.o.b. basis, consular charges.
Spain.....	1 (gross weight), inclusive of special cotton surtax, plus small surtax on all imports, varying with the commodity; and a special surtax on imports through the port of Santander. Bagging is dutiable separately at rates applicable to component textile material. If imported via European ports, there is an additional duty of \$0.22 per 100 pounds. Raw cotton with the seed, from the United States and certain other countries, is subject to an import prohibition, under a plant quarantine measure in effect since Apr. 25, 1929.
Sweden.....	Duty free.
Switzerland.....	0.02 (gross weight).
Turkey.....	3.22 (net weight). Plus a transaction tax of 6 percent ad valorem, on c.i.f. basis. Under import quota system inaugurated Nov. 16, 1931, importation of cotton is prohibited during month of December 1931.
Union of South Africa.....	Duty free, but subject to primage duty of 5 percent ad valorem, on f.o.b. basis.
United Kingdom.....	Duty free.
United States.....	7 (net weight), having a staple of 1½ inches or more in length, 7 cents per pound. Cotton not specially provided for is duty free.
Uruguay.....	0.36 (gross weight).
Venezuela.....	2.66 ⁷ (gross weight). Plus 1½ percent ad valorem, on f.o.b. basis, consular charge.
Yugoslavia.....	Duty free.

⁴ Includes 5 percent in gold, of basic duty, and \$2.38 per 100 pounds, gross weight, customs surtaxes.⁵ Includes 37½ percent of basic duty, customs surtaxes.⁶ Includes 21 percent of basic duty, customs surtaxes.⁷ Includes 56.55 percent of basic duty, customs surtaxes.

TRADE RESTRICTIONS ON COTTON MANUFACTURES

The most significant trade barriers relating to cotton are those on cotton manufactures. These are numerous and complicated and have disrupted international trade in cotton goods. The extent to which they may have injured the American farmers is not clear, but the disruptions caused by trade barriers generally constitute one of the

outstanding features of the present depression. Tariffs on cotton manufactures should be considered from the standpoint of the influence they may have had in bringing about or emphasizing the present depression in cotton-textile industries that has reacted so unfavorably upon the American farmer.

In imputing causal significance to trade barriers on cotton manufactures in the present depression, it is necessary to recognize the developments that were occurring independently of trade restrictions. Prior to the World War textile industries were expanding in most of the European countries and many of the non-European countries, but this was part of a general industrial development. Tariffs were used to assist the developing textile industries, and in some cases, as in Italy, the development was accompanied by a decrease in imports. To other countries, such as Germany and the United States, British exports of cotton piece goods were being maintained or were increasing despite the development of cotton-textile industries within the countries. Total British exports of cotton-piece goods reached a peak in 1913, reflecting the increase in international trade in these goods, along with the development of cotton-textile industries in many parts of the world.

The war produced radical changes in the world cotton-textile trade. With supplies cut off from Great Britain and other manufacturing countries, textile industries developed more rapidly in other countries. After the war many countries turned to the development of cotton-textile industries. The change was greatest in Japan where it was recognized that manufacturing industries would have to be expanded greatly if a large population was to be supported in a country of very limited natural resources. Japan ceased being an important importer and became a leading exporter of cotton manufactures. In a few years it came to supply a large part of the import requirements of Oriental countries for cotton textiles. The industry also increased in China. In India the development of the industry was accompanied by a spirit of nationalism that resulted in increased tariffs and the inauguration of boycotts on imported goods. This was one of the most serious obstacles to British export trade in 1930 and 1931. On the continent of Europe textile industries revived after the war, and several countries aimed to expand export trade in these products, while importing countries erected tariffs to foster their own industries. Added to this, the new national boundaries disarranged the old channels of trade. After the depression began, tariffs were erected or increased in attempts to lessen the effects of the depression and to reduce unfavorable trade balances.

The new and increased trade barriers on cotton manufactures probably helped to bring about the present depression, first through their disrupting effect on trade, and, second, through their encouragement of textile industries to a point that probably represented an over-expansion of the industry from the standpoint of world total requirements. Moreover, this situation aggravated the general depression when it developed. It is clear, however, that these barriers were not primarily responsible for the present depression. So long as the depression of the textile industry in one country was offset by a favorable situation in another market, the American farmer was not

injured; in fact he may have been helped by the situation. But when the depression became widespread he felt the effects seriously.

The depression, as it has developed from its many causes, has been felt, in regard to cotton, mostly in a very great reduction in prices, but partly in significant but less drastic reductions in the foreign consumption of American cotton and, for a while, in exports. In view of the low tariffs and relative freedom from other trade barriers applicable to raw cotton, low prices proved effective in expanding exports of American cotton, and foreign consumption increased in 1931-32. Most of the increase in foreign consumption of American cotton that year was due to the displacement of foreign growths by American cotton as a result of the short foreign crops in 1931. Exports in 1931-32 were 7 percent above the average for the 5 years 1925-26 to 1929-30. They were the second largest since the World War and the fourth largest on record. In contrast, the consumption of cotton in the United States in 1931-32 was 28 percent below the 1925-26 to 1929-30 average.

CHAPTER XIII

DAIRY PRODUCTS

The domestic production and consumption of dairy products are fairly closely balanced, but conditions in foreign markets and international trade restrictions have an influence upon the prices of these products in the United States. Two dairy products of prime importance enter international trade, namely, butter and cheese, and because these dairy products are imported or exported by a large number of countries the welfare of the dairy farmers in the United States is affected to some degree by the production, consumption, and prices of dairy products in many other countries of the world. Out of this situation arises the importance of trade restrictions in other countries to the dairy producers of the United States.

The situation is complicated by the fact that our dairy industry, while on an import basis taken as a whole, is not uniformly so. We are on an import basis for milk and cream, for cheese, and most of the time for butter. But we export large quantities of concentrated milk, our exports of butter sometimes exceed our imports, and we export some cheese. Hence, import restrictions in foreign countries are of some direct significance in relation to our exports of dairy products. In the main, however, they are significant through their effects upon world prices and their consequent tendency to divert supplies to the United States. This is best illustrated by butter.

THE BRITISH BUTTER MARKET AS INDICATIVE OF THE WORLD SITUATION

The nearest approach to a world butter price is that prevailing in London. Great Britain is the world's largest importer of butter, and from that standpoint the British market is the most important in the world. Furthermore, the British market is probably more sensitive to world supply and demand conditions than is any other. As only about 10 percent of the butter consumed in Great Britain is produced domestically, Great Britain is primarily dependent upon world supplies. Germany, second in importance to Great Britain as a butter importer, is much less dependent upon foreign supplies, since about three fourths of the supply of Germany is produced within the country.

Furthermore, British imports of butter freely reflect changes in the world-supply situation. Until recently Great Britain has been the great free butter market of the world with no tariff or quota restrictions to affect the volume of imports, or to affect the price at which imported butter could be sold within the country. But now only butter from the British Dominions has free access to the British market. A tax is imposed on butter from other countries, such as Denmark and Argentina, but as the tax is relatively small it is still true that Great Britain offers the least restriction

of any major butter-importing country of the world. Since it is the country to which foreign butter has the most ready access, the sensitiveness of the British market to the world butter situation has not been significantly decreased. Changes in London prices may still be taken as indicative of changes in the world supply and demand situation for butter.

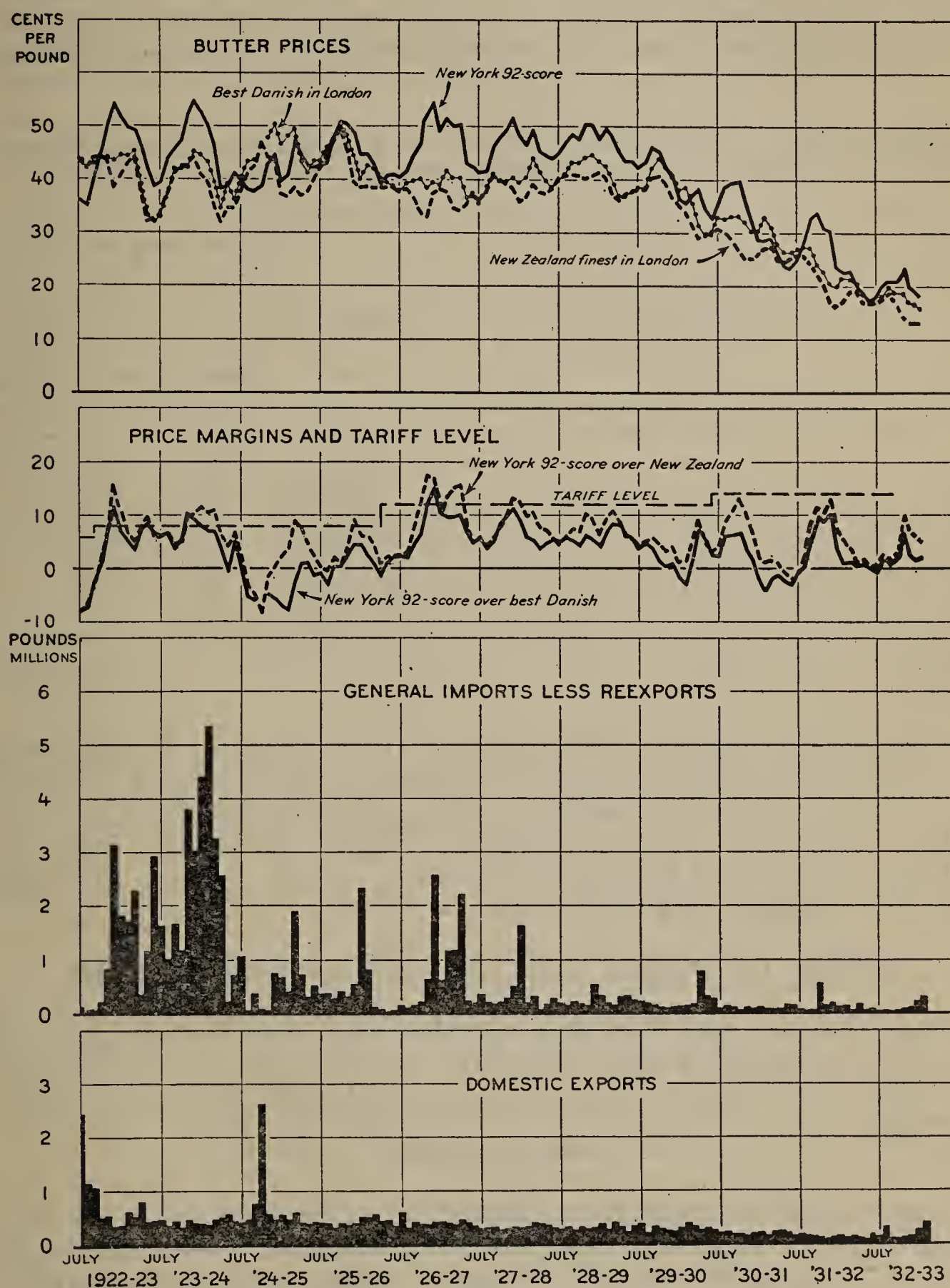


FIGURE 24.—BUTTER: PRICES, PRICE MARGINS, TARIFF LEVEL, IMPORTS, AND EXPORTS.

In a very general way, the prices of butter at New York and London have followed similar courses over the last 10 years. But there have been significant changes in the margin between these prices; these margins are shown in relation to the tariff level in the second section of the chart. A comparison of this section with the third and fourth sections shows that imports into and exports from the United States are closely related to the butter-price margins. Domestic prices have never exceeded world prices by more than the tariff rate except for short periods, and when this has occurred, imports have tended to reduce domestic prices.

Since the revival of normal importation of butter into Germany, beginning in 1924, Great Britain had until recent years absorbed quite uniformly about two thirds of the total volume of butter moving in international trade, making it the most important butter-importing country in the world and readily influenced by world-wide conditions. In 1931 this proportion was increased to nearly three fourths, and in 1932, for which preliminary figures are now available, this proportion was further increased to about 80 percent. The total volume of international trade and the proportion accounted for by the principal importing countries is shown in table 51.

TABLE 51.—*Butter: Total volume of international trade and proportion accounted for by principal importing countries, average 1909–13, annual 1925–32*

Calendar year	Total imports ¹	Proportion of total imported by--		
		Great Britain	Germany	France, Belgium, and Switzerland
	<i>Pounds</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Average, 1909–13.....	654, 989, 000	69. 5	17. 0	5. 9
1925.....	916, 216, 000	67. 3	23. 2	3. 8
1926.....	934, 423, 000	67. 0	23. 1	2. 6
1927.....	974, 302, 000	64. 2	24. 5	3. 4
1928.....	1, 022, 588, 000	65. 2	27. 3	2. 6
1929.....	1, 097, 719, 000	64. 0	27. 2	3. 2
1930.....	1, 152, 149, 000	64. 6	25. 5	4. 7
1931.....	1, 181, 354, 000	73. 2	18. 7	9. 0
1932.....	1, 200, 000, 000	78. 9	12. 8	6. 8

¹ Represents 33 to 36 countries.

Of the total imports of butter into Great Britain in 1932 (946,300,000 pounds including quantities reexported), somewhat more than 48 percent (450,194,000 pounds) came from the Dominions, principally New Zealand and Australia. Twenty years ago these Dominions supplied 23 percent of the total, and as recently as 5 years ago they supplied only 30 percent.

EFFECT OF IMPORT RESTRICTIONS ON WORLD TRADE

Great Britain and Germany are the only large butter-importing countries, although France, Belgium, Switzerland, the Netherlands, and Italy have, until recently, been gradually expanding import markets.

GREAT BRITAIN

Import restrictions in Great Britain thus far have taken the form of tariff protection and apply only to supplies from non-Empire sources. The tariff on such “foreign” butter, as fixed on March 1, 1932, is 10 percent ad valorem. On butter from the Irish Free State a duty has been fixed, effective November 9, 1932, of 30 percent in addition to the 10 percent applying to all non-Empire butter.

Under the terms of the treaty formulated at the Ottawa Conference and now in effect, the duty on non-Empire butter was the

equivalent of 2.3 cents per pound at the value of the pound sterling as quoted at New York as of March 1, 1933. The 10 percent ad valorem rate on Danish butter, f.o.b. Copenhagen as of November 3, 1932, amounted to 1.7 cents per pound.

Quota restrictions against foreign supplies of butter entering Great Britain were considered at Ottawa on the principle that when prices were brought below cost of production to British farmers, the import restriction scheme could be evoked, but this was abandoned as establishing a precedent upon which restriction of imports, on the same principle, might be turned against the Dominions.

In the interest of British farmers, on the one hand, and of British consumers, on the other, the rate of duty was fixed with a view to checking foreign imports only to such an extent as would not result in a violent rise in price, but which, nevertheless, might serve to check foreign supplies to approximately the same extent as Empire supplies were increased. Danish exports of butter totaled considerably less in 1932 than in 1931 (347,881,000 pounds against 378,530,000 pounds), but owing to relatively more effective restrictions in Germany and other continental markets, exports of Danish butter to Great Britain actually increased. Despite this abnormal diversion of European supplies to British markets the Dominions supplied 48 percent of the total British imports of butter in 1932 as compared with 43 percent in 1931.

Consumption of butter in Great Britain has been greatly stimulated by the low wholesale and retail prices. Consumption per capita has increased from 14.8 to 20.7 pounds in the period 1924-31. This increase has been partly due to a shift from margarine to butter as butter prices declined, for the consumption of margarine dropped from 12.4 to 9.3 pounds per capita. The combined consumption of butter and margarine increased 2.8 pounds for the same period owing largely to the price declines. Any material rise in butter prices probably would cause some reduction in per capita consumption of butter and margarine, and a shift back toward margarine.⁸

Prices of butter have moved rather closely in line with the general wholesale price level in Great Britain during recent years. Index numbers based on 1926 as 100, stood in 1930 at 82 on Danish butter in London against 81 as the general level of 150 commodities; in 1931 at 71 on butter and 70 on all commodities; and in 1932 at 66 and 69, respectively. Actual prices of butter in 1932 were the lowest on record in any year in which modern conditions of world trade have prevailed.

Differences in favor of best Danish butter over New Zealand and Australian butter, since March 1932, when the tariff of approximately 2 cents a pound became effective on Danish, have been at least as narrow as in previous years. No enhancement in the British price is apparent, such as would result from the addition of the import duty recently in effect on the Danish and not applicable to butter from New Zealand. (Table 52.)

⁸ Estimates published by the New Zealand Dairy Exporter of Sept. 1, 1932.

TABLE 52.—*Butter: Comparative prices per pound of Danish, New Zealand, and Australian in London, before and after the tariff on "foreign", i.e., non-Empire supplies*

Month	1930			1931			1932		
	Danish	New Zealand	Danish over New Zealand	Danish	New Zealand	Danish over New Zealand	Danish	New Zealand	Danish over New Zealand
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
January.....	37.4	33.8	3.6	29.0	25.1	3.9	19.1	14.8	4.3
February.....	38.0	32.7	5.3	32.0	26.1	5.9	22.0	16.3	5.7
March.....	34.9	30.0	4.9	29.6	25.6	4.0	20.4	17.7	2.7
April.....	30.2	27.4	2.8	26.8	23.8	3.0	19.5	17.7	1.8
May.....	28.9	28.0	.9	25.9	23.8	2.1	17.0	15.8	1.2
June.....	30.1	28.8	1.3	25.7	24.0	1.7	16.4	15.9	.5
July.....	32.5	29.6	2.9	25.9	24.7	1.2	17.8	16.5	1.3
August.....	32.2	29.0	3.2	26.0	24.4	1.6	17.4	16.8	.6
September.....	32.6	27.6	5.0	26.3	22.8	3.5	19.1	17.4	1.7
October.....	32.5	25.3	7.2	23.1	20.6	2.5	18.0	16.2	1.8
November.....	30.6	22.4	8.2	21.8	18.4	3.4	17.9	13.5	4.4
December.....	29.9	24.5	5.4	20.6	15.4	5.2	17.8	12.3	5.5

Month	Danish	Aus-tralian	Danish over Aus-tralian	Danish	Aus-tralian	Danish over Aus-tralian	Danish	Aus-tralian	Danish over Aus-tralian
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
January.....	37.4	33.0	4.4	29.0	24.6	4.4	19.1	14.9	4.2
February.....	38.0	32.0	6.0	32.0	25.8	6.2	22.0	15.8	6.2
March.....	34.9	29.0	5.9	29.6	25.3	4.3	20.4	16.8	3.6
April.....	30.2	26.6	3.6	26.8	22.9	3.9	19.5	17.4	2.1
May.....	28.9	27.6	1.3	25.9	23.2	2.7	17.0	15.7	1.3
June.....	30.1	28.0	2.1	25.7	23.1	2.6	16.4	15.5	.9
July.....	32.5	29.0	3.5	25.9	23.5	2.4	17.7	16.0	1.7
August.....	32.2	28.7	3.5	26.0	23.5	2.5	17.4	15.6	1.8
September.....	32.6	27.1	5.5	26.3	21.8	4.5	19.1	16.3	2.8
October.....	32.5	24.9	7.6	23.1	19.7	3.4	18.0	15.2	2.8
November.....	30.6	22.8	7.8	21.8	17.2	4.6	17.9	12.9	5.0
December.....	29.9	24.0	5.9	20.6	15.2	5.4	17.8	12.6	5.2

GERMANY

In contrast with Great Britain, Germany produces the greater part, approximately three fourths, of the butter consumed within that country. According to various estimates, there is probably produced in Germany around 85 percent of the total milk equivalent of dairy products consumed in all forms.

But in the world's butter markets Germany is second to Great Britain in volume of butter imported. The proportion of the world's trade in butter represented by imports into Germany amounted, just before the war and for some years following the post-war recovery in its trade (in 1924 and 1925), to roughly one fifth of the total. By 1928 the record importation of 298,821,000 pounds was 28 percent of the total imports accounted for in international trade in that year. Since 1928 the volume of Germany's import trade and its relative importance in world trade has declined markedly as shown in table 51.

Following the post-war renewal of a high protective tariff policy in 1925, the German Government has built up successively more effectual restrictions upon imports of butter until now, under the contingent made effective November 15, 1932, total importation

cannot exceed 121,000,000 pounds yearly. This is about equal to the average importation in the years just preceding the war, is less than one half the average yearly importation since 1925, and only 40 percent of the maximum importation of 299,000,000 pounds reached in 1929.

Imports going to make up the total contingent of 121,253,000 pounds as the maximum that may be imported in any year are to be prorated among the various countries on the basis of their average percentage share in imports during 1929-31.

According to latest information, therefore, the only construction to be placed upon the most recent tariff provisions as affecting imports of butter into Germany is that, although the equivalent of 8 cents per pound will not prohibit imports, importation will be lessened if not by the import duty then certainly by the limitation fixed by the contingent feature upon the quantity that may be imported over the tariff.

Consumption of imported butter in Germany, total and per capita, has been declining rapidly since 1930, and a further decline will follow the limitation of imports by the contingent provision now being put into effect. On a per capita basis, consumption of imported butter may be estimated roughly to have declined from 4.4 pounds in 1930 to 3.4 pounds in 1931 and to 2.2 pounds in 1932. If the contingent provision remains unchanged the maximum possible consumption in 1933 is 1.8 pounds per capita. Thus even the artificial limitation of imports in 1933 will result in less of a decrease than has been taking place in other recent years as the result of weakening demand for foreign butter.

Butter has been low in price within Germany during these same years relative both to the general price level and to the price of margarine.

Thus the takings of Germany, which have been falling off in recent years, must be expected to be still further lessened under the artificial limitations that have recently been added. This can result only in further diversion of butter supplies to British or other alternative markets.

OTHER COUNTRIES

In addition to the influence of the lessening market in Germany upon the situation in Great Britain recent developments have affected the possibilities of diversion of supplies to countries of minor importance as alternative world butter markets. The increasing importance in recent years of the takings of butter by these minor markets, in which various import restrictions have now been adopted, is shown for some of the more important countries in table 51. It is apparent that with Germany limited to a smaller importation in the coming year than in 1931 or 1932, any artificial curtailment of imports into these countries must result in correspondingly heavier pressure of supplies on the British market. Should this pressure be sufficiently heavy and long continued, the margin between prices in Great Britain and in the United States might become wide enough, particularly in our winter season, to give rise to direct competition in United States markets.

France, Belgium, Switzerland, the Netherlands, and Italy are outstanding examples of nations that have adopted schemes to place effectual restrictions upon imports of butter.

1. *France*.—In France the policy was first adopted of establishing periodically certain quotas; this had reduced imports of butter from 28,951,000 pounds in the first 6 months of 1931 to 15,016,000 pounds in the first 6 months of 1932. Effective September 28, 1932, and to apply for 1 year, the general tariff on butter was further increased to the equivalent (at the rate of exchange as of that date) of 24.9 cents per pound, with the minimum tariff at 12.5 cents per pound. The additional charge of 15 percent ad valorem on butter from countries that have left the gold basis is unofficially reported as having been retained under the new tariff rates. With this latest increase in import duty the import quota was abolished for a time. Imports amounting to 40,837,000 pounds in 1931 declined to 26,099,000 pounds in 1932.

2. *Belgium*.—Imports into Belgium have been checked by tariff increases and import license requirements set up late in 1931. The control of butter imports provided for in April 1932 has resulted in lessened importation, imports in June having been 43 percent less than in June of last year. The decrease was particularly marked in supplies from Denmark, the Netherlands, and the Baltic States. Total imports of butter into Belgium were actually greater in 1932 than in 1931, but this is attributable to the heavy imports received in the early months of the year. It has been said by critics of the policy of restrictions within Belgium that as a result of these measures the domestic price of butter had been increased, by September 1932, to 30 percent more than prices previously ruling on imported Danish butter.

3. *Switzerland*.—In Switzerland since 1927, to encourage butter making and thereby increase the utilization of milk and displace imports of butter, a fixed price has been guaranteed for a certain quality of table butter. But as the Swiss have not excelled as butter makers, only a part of the domestic product qualified for the fixed price under the terms of the subvention, and butter continued to be imported in considerable volume.

In accordance with the Swiss protective policy, which is particularly in the interest of agriculture, tariff rates on butter have been successively increased in recent years, and on February 26, 1932, a decree provided that from April 1, 1932, butter could be imported only under license.

Despite the fact that imports have been affected by the higher tariff rates and import license requirements during only a part of the period, imports during 1932 fell to 8,150,000 pounds from a total for 1931 of 23,359,000 pounds.

4. *The Netherlands*.—The Netherlands is, of course, predominantly an exporting country in its butter trade; the considerable imports and the marked decline in exports are recent developments. In 1930 exports of butter amounted to 92,409,000 pounds, in 1931 they fell to 72,672,000 pounds, and in 1932 they fell to 44,923,000 pounds. Simultaneously, imports increased from 4,396,000 pounds in 1930 to 8,887,000 pounds in 1931 and 9,318,000 pounds in 1932. Imports were chiefly of Australian and Siberian butter which retailed at prices that competed effectually with margarine.

Imports of butter into the Netherlands were limited by a recently established quota of about 1,295,000 pounds for the 4 months, March–June 1932. Most of this quota was imported during March and the first half of April, leaving a practical embargo in effect during the latter part of April and May. The decree provides for a quota from each country equal to the average importation from that country during the corresponding period of 1928–30. Total imports averaged about 4,400,000 pounds during those 3 years. This quantity was doubled in 1931, and during the first quarter alone of this year imports had amounted to about 7,000,000 pounds. Accordingly, the quota as established for the second quarter of this year means a decided check upon the exportation of butter to the Netherlands, which was becoming a secondary market, and important particularly to Australia, New Zealand, Argentina, and Denmark.

5. *Italy*.—Some material lessening of imports of butter into Italy is noted as having already resulted from the greatly increased tariff effective March 4, 1932. Imports of butter into Italy during 1932 amounted to 4,398,000 pounds, a decline of 30 percent from the imports of 6,203,000 pounds in 1931.

CONCLUSIONS CONCERNING EFFECTS OF IMPORT RESTRICTIONS

Great Britain, therefore, remains a relatively free butter market with all other deficit countries protecting their butter markets by high tariffs or quota restrictions or by a combination of both. With the application of a small import duty even by Great Britain on non-Empire butter, Denmark and other “foreign” countries are able to export to the British market only through the payment of the duty. Consequently, such quantities of butter as are not permitted to enter other countries because of quotas or tariffs are shipped to Great Britain to obtain whatever prices that market will afford. Indications are that under such conditions producers in these foreign countries must pay or absorb the British duty. This, in turn, tends to intensify the pressure of foreign competition upon the markets of the United States.

EFFECT OF EXPORT BOUNTIES AND OTHER AIDS IN WORLD TRADE

There is evidence that the principal national measures outlined above, designed to restrict import trade and protect domestic markets for domestic dairy interests, are effectually limiting the market for dairy products from surplus-producing countries. The volume of export trade in butter from most of the European surplus-producing areas appears to have been checked during 1932, and various measures providing for export bounties and other aids have been adopted in an effort directly to stimulate exports or primarily as a means of raising domestic prices.

1. *Australia*.—Under the Paterson plan, in operation since 1926, Australian butter producers voluntarily assess themselves on all butter produced in order that, through compensation to exporters of butter, the domestic prices will automatically rise by the amount of such compensation or “bounty” with a net gain resulting to the dairy industry as a whole.

The payment to exporters is referred to as an export bounty. But since the cost is met by the producers, who expect to be more than compensated by the higher prices obtained in the home market, the benefits are self-limiting in the absence of production control. For as production increases in response to the benefits conferred by the scheme, more butter is available for export, the total cost of the "bounty" payments increases, and the net gain to the producers diminishes. This has actually tended to be the case, and from time to time it has been necessary to reduce the amount of the bounty to meet this situation.⁹

2. *Irish Free State*.—A plan almost identical with that operating in Australia has been operative in the Irish Free State since April 21, 1932. As the quantity of butter exported is about equal to the quantity retained for home consumption, the levy on the total production, fixed at about 4 cents per pound at par, is expected to provide a bounty equivalent to 8 cents per pound on creamery butter exported. With a view to encouraging winter production, the bounty is to be paid throughout the year, whereas the levy is collected only on the production from March 1 to November 30. As in Australia, an import duty equal to the bounty is in effect. A tariff equivalent to 8 cents per pound is to be continued, and the Minister of Agriculture is to prohibit imports of butter except under license when such action may be deemed necessary in the interests of the home market. With a tariff of 40 percent ad valorem in effect on Irish butter entering Great Britain, the rate on Irish creamery butter based on the latest available London quotation (Irish butter having ceased recently to be quoted) would just about have equalled the export bounty of 8 cents per pound. As Great Britain has been practically the only established market for Irish butter, the advantage resulting from the export bounty plan in the Irish Free State to date does not appear to have been material.

3. *Union of South Africa*.—Following closely the Australian plan, South African butter and cheese producers have paid an export bounty since 1930. Rates of bounty and levy have been modified from time to time, and assessments are made against producers, although administered by the Government. Under the Export Subsidies Act of 1931 the Government itself derives an additional fund from a special 5 percent ad valorem tax on imports of which subsidies are paid on exports of butter and cheese. The Union is as yet of comparatively little importance as an exporter of butter or cheese, but these products are now favored not only by the export bounty but by the free entry into Great Britain.

4. *The Netherlands*.—Notwithstanding the recent development of an import trade in lower-quality butter, the Dutch dairy industry is largely dependent upon its export trade. From a gross export of 104,323,000 pounds of butter in 1929, exports declined to 92,393,000 pounds in 1930, and 72,659,000 pounds in 1931, with a still more marked falling off in 1932 to 44,923,000 pounds.

Prices of milk in the Netherlands had fallen to such low levels by the end of 1931 that a "Crisis Dairy Act" was invoked to bring prices to a point at which they would cover the cost of production. The law, involving many rather complicated provisions, charges a

⁹ For fuller exposition and history of the measure see the appendix.

central organization, "The Crisis Dairy Central", with the execution of the act. The basis of the plan is to supplement the world price by consumption taxes, thus establishing a wholesale price for butter which will guarantee to producers a total return for their milk equalling cost of production. Margarine for domestic consumption must be mixed with butter in a proportion to be established by the Board of the Crisis Dairy Central and a consumption tax is placed on margarine to raise its price to about two thirds that of butter.

5. *Finland*.—In Finland a plan has been adopted whereby the price of butter is to be enhanced in part through a tax on margarine and, within certain limits, is to be guaranteed. In case the Copenhagen official quotation goes below the equivalent of 33.5 cents per pound, the Government is to make good the difference, not to exceed the equivalent of 4.4 cents. This guaranty can tend only to stimulate production for export. No information is at hand as to the date it is to become effective.

Although most of the restrictive measures adopted as applying to butter have tended to affect the price of milk and other products indirectly, butter is here chosen to illustrate the effects of world conditions on our dairy industry.

Important butter-importing countries in Europe have limited the importation of butter by the use of quotas and tariffs. These restrictions have forced a larger proportion of the world exports of butter upon the English market, which, until the recent adoption by the United Kingdom of a duty on butter, was the only large free butter market in the world. At present the British market is free only to the Dominions, and thus far the British tariff on non-Empire butter appears to have been absorbed by the foreign producers. The large supplies of butter converging on the English market have tended to depress the British price and thus to increase the pressure of foreign competition upon the markets of the United States.

CHAPTER XIV

SUGAR

In common with the producers of other agricultural products in the United States, the producer of sugar finds himself faced today with disastrously low prices. The monthly average price of sugar in New York, duty paid, has been 4 cents per pound or less since October 1928, and was less than 3 cents for a period of 13 months from February 1932 to March 1933. Although different from most of the other commodities considered in this report in that it is on an import basis, sugar is very much like them in that its price in the United States is largely dependent upon world conditions. Among these conditions, unprecedented surpluses appear as a major factor contributing to the decline of the price of sugar in the United States.

Following the World War, world production increased at a rapid rate. There were several causes, among them restoration of agriculture in Europe, improvements in technology and in beet and cane varieties, opening of new lands well suited to the growing of sugarcane, the support that the governments of a large number of countries gave to the price of sugar in definite areas. Partly because of this increase in production, world prices of sugar fell to a low level after the war, and this helped to stimulate consumption of the increased output. But in an effort to protect their growers against the fall in prices, several countries—Europe, Japan, the United States, and others—raised their sugar tariffs. This governmental intervention in turn stimulated production in these sugar-deficit countries, and is partly responsible for the present world surplus of sugar.

Of the total increase of 10,292,000 short tons in world sugar production during the last 12 years, some 7,783,000 short tons were produced within the tariff walls of the countries referred to above.¹⁰ Even though a considerable part of the 7,783,000 tons would presumably have been produced in any event, a considerable quantity, large enough to constitute an important part of the existing world surplus, may be ascribed to intervention.

Another portion of the present world surplus may be ascribed to the restrictive effect upon consumption of the enhanced price of sugar within the protected markets. As these protected areas include more than half a billion people, even a slight reduction in per capita consumption must have had a large aggregate effect on the world sugar surplus.

The precise amount of the surplus attributable to intervention cannot be determined. But upon grounds to be indicated below, it is estimated that between 4,000,000 and 5,000,000 short tons of the present (1932-33) surplus of over 8,000,000 short tons has appeared as the result of the stimulative measures of the last 10 or 12 years. It is further estimated that this additional surplus has affected the world price of sugar to the extent of about 1 cent a pound.

¹⁰ These 7,783,000 tons do not include the increases in production in such low-cost areas as Cuba and Java.

TABLE 53.—*Sugar (raw): World production and carry-over, 1920-21 to 1931-32*

Year (September-August)	Total supply	Visible supply on Sept. 1 ¹	Production							
			World total	Europe, exclusive of United Kingdom	British Empire excluding India ²	Japan and Taiwan	Continental United States and insular possessions and territories ³	Cuba	Java	Other
	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons
1920-21	21,681	2,135	19,546	4,096	1,097	384	2,953	4,406	1,853	4,757
1921-22	24,676	4,098	20,578	4,340	1,125	472	2,965	4,517	1,994	5,165
1922-23	23,885	3,025	20,860	4,972	1,116	470	2,415	4,083	1,981	5,823
1923-24	25,680	2,870	22,810	5,501	1,106	595	2,782	4,606	2,201	6,019
1924-25	29,375	2,705	26,670	7,693	1,370	625	3,480	5,812	2,535	5,155
1925-26	31,979	3,990	27,989	8,075	1,655	654	3,125	5,524	2,175	6,781
1926-27	31,074	4,450	26,624	7,288	1,601	563	3,225	5,050	2,639	6,258
1927-28	33,054	4,539	28,515	8,378	1,827	746	3,711	4,527	3,238	6,088
1928-29	35,893	5,191	30,702	8,891	1,970	971	3,696	5,775	3,198	6,201
1929-30	36,449	5,842	30,607	8,619	2,064	974	4,063	5,231	3,245	6,411
1930-31	38,790	6,972	31,820	10,799	2,326	965	4,214	3,495	3,095	6,922
1931-32	37,805	8,369	29,436	7,890	2,130	1,192	4,518	2,915	2,821	7,970
Average:										
1920-21 to 1922-23	23,414	3,086	20,328	4,469	1,113	442	2,778	4,335	1,943	5,248
1929-30 to 1931-32	37,681	7,061	30,621	9,103	2,173	1,044	4,265	3,880	3,054	7,101
Increase	14,267	3,975	10,293	4,634	1,060	602	1,487	-455	1,111	1,853
Percent increase over the 12 years	60.9	128.8	50.6	103.7	95.2	136.2	53.5	-10.5	57.2	35.3

Bureau of Agricultural Economics, Foreign Agricultural Service Division. Data largely from International Yearbook of Agricultural Statistics.

¹ Sept. 1 of the end year. Includes the following: Carry-over in 11 European countries; stocks at United States refining ports; stocks at Cuban shipping ports and in the interior of the island; stocks at shipping ports in the Philippine Islands; available supply in Java.
² Including Hawaii, Puerto Rico, Philippine Islands, and Virgin Islands.
³ Includes the United Kingdom, Canada, British West Indies, Mauritius, Union of South Africa, Australia, and the Fiji Islands.

TABLE 54.—*Sugar (raw): Average monthly price per pound, cost and freight New York, duty not paid*

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average	
													Cal-endar year	Crop year ¹
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1919 ²													5.885	
1920	11.91	10.47	11.12	16.11	20.42	18.39	16.43	13.54	9.20	7.39	5.60	4.15	12.06	³ 14.0
1921	4.11	4.47	5.14	4.51	3.87	2.96	2.85	3.08	2.60	2.51	2.26	2.01	3.36	4.8
1922	2.03	2.11	2.31	2.40	2.46	3.00	3.51	3.58	3.24	3.69	3.83	3.90	3.01	2.6
1923	3.52	4.52	5.75	6.02	6.21	5.80	5.36	4.25	5.17	5.79	5.43	5.52	5.28	4.7
1924	4.85	5.48	5.15	4.57	3.83	3.43	3.33	3.57	4.18	4.24	4.07	3.41	4.18	4.7
1925	2.83	2.86	2.98	2.71	2.56	2.63	2.49	2.59	2.44	2.07	2.30	2.34	2.57	3.1
1926	2.39	2.45	2.26	2.35	2.41	2.36	2.38	2.47	2.68	2.80	2.93	3.31	2.57	2.4
1927	3.25	3.14	3.01	2.99	3.05	2.85	2.75	2.75	3.02	2.89	2.86	2.92	2.96	3.0
1928	2.72	2.48	2.74	2.66	2.68	2.52	2.41	2.38	2.22	2.14	2.09	2.16	2.43	2.7
1929	2.03	1.96	1.94	1.87	1.82	1.75	2.10	2.05	2.22	2.23	1.95	1.99	1.99	2.0
1930	1.95	1.81	1.82	1.68	1.44	1.39	1.26	1.18	1.13	1.29	1.41	1.29	1.47	1.7
1931	1.37	1.31	1.28	1.29	1.18	1.32	1.50	1.46	1.41	1.41	1.35	1.13	1.33	1.3
1932	1.13	.94	.77	.63	.59	.75	1.05	1.15	1.14	1.13	1.06	.84	.93	1.0
1933	.72	.75	.93	1.12	1.31	1.39								

Compiled from The Sugar Index, B. W. Dyer & Co.
¹ Ending August.
² Prices under Government control.
³ In computing the 1919-20 average, 12.4 was substituted for 5.885 in the months September to December 1919. The quantity 12.4 is the average for the 4 months January-April 1920.

In 1931 the international sugar agreement (Chadbourne plan) was entered into by the principal sugar-exporting countries to restrict exports, for the purpose of reducing world stocks of sugar. This appears to be achieving significance at the present time (May 1933), but the unsatisfactory world conditions affecting sugar continue to have an adverse effect upon the American sugar market.

DEPENDENCE OF PRICE IN THE UNITED STATES ON WORLD CONDITIONS

Changes in the price of sugar in New York, to which prices throughout the United States largely conform, are determined by world conditions, for sugar is an international commodity. It is produced in many parts of the world and enters extensively into international trade. In the case of continental United States, about two fifths of the domestic sugar requirements is supplied by shipments from Cuba; two fifths by shipments from Hawaii, Puerto Rico, and the Philippine Islands; and the remaining one fifth is supplied by sugar of domestic growth (table 55). The 2,000,000 or 3,000,000 short tons of sugar imported from Cuba act as a connecting link between the United States and the world sugar market. If the price obtainable by Cuba in overseas markets falls below the price obtainable in the United States, Cuban exports tend to be diverted to the American market where they exert a downward pressure on sugar prices. In the reverse situation, with overseas prices rising above the United States price, the tendency is for exports to be diverted from the United States market and for our price to rise. Thus world conditions, working through the export price in Cuba, react upon the price in New York and so affect sugar prices all over the United States.

TABLE 55.—*Sugar (raw): Relative contributions to United States market by sources of supply, 1920-21 to 1931-32*

Year	Total United States supply	Production in continental United States ¹		Shipments to United States from insular possessions and territories ²		Dutiable sugar			
		Total	Percentage of total United States supply	Total	Percentage of total United States supply	Imports from Cuba ³		Imports from other countries	
						Total	Percentage of total United States supply	Total	Percentage of total United States supply
	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>Percent</i>	<i>1,000 short tons</i>	<i>Percent</i>	<i>1,000 short tons</i>	<i>Percent</i>	<i>1,000 short tons</i>	<i>Percent</i>
1920-21.....	5,651	1,347	23.8	1,076	19.1	2,463	43.6	765	13.5
1921-22.....	6,707	1,425	21.2	1,341	20.0	3,860	57.6	81	1.2
1922-23.....	6,365	1,022	16.0	1,235	19.4	4,021	63.2	87	1.4
1923-24.....	5,824	1,112	19.1	1,275	21.9	3,258	55.9	179	3.1
1924-25.....	6,836	1,260	18.4	1,645	24.1	3,858	56.4	73	1.1
1925-26.....	6,998	1,121	16.0	1,981	28.3	3,861	55.2	35	.5
1926-27.....	6,669	1,011	15.2	1,689	25.3	3,953	59.3	16	.2
1927-28.....	6,714	1,246	18.6	2,052	30.6	3,399	50.6	17	.2
1928-29.....	7,364	1,273	17.3	1,975	26.8	4,109	55.8	7	.1
1929-30.....	6,495	1,294	19.9	2,378	36.6	2,769	42.7	54	.8
1930-31.....	6,502	1,482	22.8	2,604	40.1	2,405	37.0	11	.1
1931-32.....	6,615	1,412	21.4	2,813	42.6	2,352	35.6	38	.6

Bureau of Agricultural Economics.

¹ Includes beet and cane sugar.

² Shipments from Hawaii, Puerto Rico, Philippine Islands, and Virgin Islands.

³ Cuban sugar enjoys a preferential duty of 20 percent over other foreign sugars. On 96° sugar, the type usually imported into the United States, tariff rates have been as follows during this period: Up to May 28, 1921, the duty on Cuban sugar was 1 cent per pound, and on other foreign sugar was 1.26 cents; beginning May 28, 1921, on Cuban sugar it was 1.60 cents, and on other it was 2 cents; beginning Sept. 22, 1922, on Cuban sugar it was 1.76 cents, and on other it was 2.21 cents; since June 17, 1930, on Cuban sugar it has been 2 cents, and on other foreign sugar it has been 2.50 cents.

This general conclusion can be substantiated by quantitative evidence. The annual average price at New York is closely correlated with the world visible supply of sugar and is correlated to a significant degree both with total supply (the sum of annual production and visible supplies) and with year-end supplies (visible supplies). In figure 25 are charted the movement of the price of sugar (New York, duty not paid), the world visible supply, and the United States wholesale commodity price level; and in figure 26 are charted the total world supply, the price of sugar, and the wholesale price level.

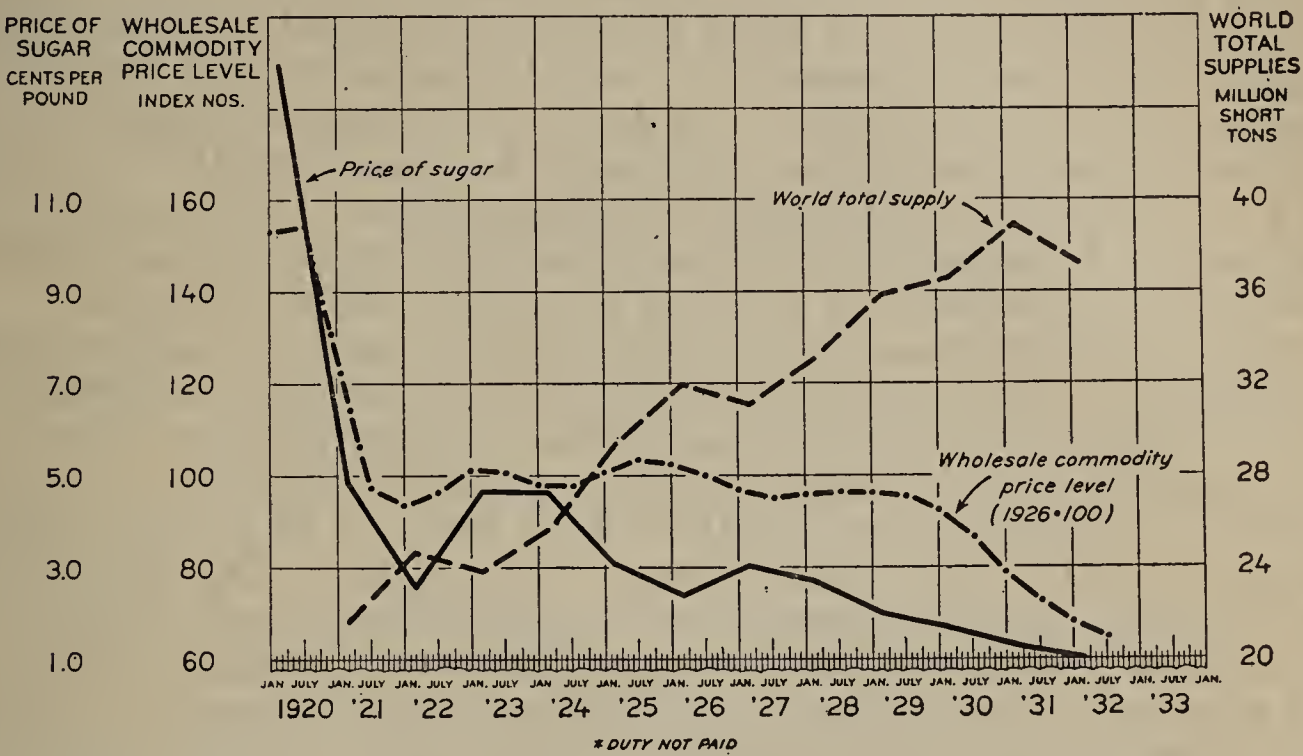


FIGURE 25.—WORLD CARRY-OVER OF SUGAR, AND NEW YORK PRICE OF SUGAR, DUTY NOT PAID, 1920 TO DATE.

The price of sugar, duty not paid, at New York is influenced by changes in the world visible supply, or carryover, and in the wholesale commodity price level. When the world visible supply increases, the price of sugar tends to decrease, and vice versa. When the general price level declines the price of sugar tends to decrease, and vice versa.

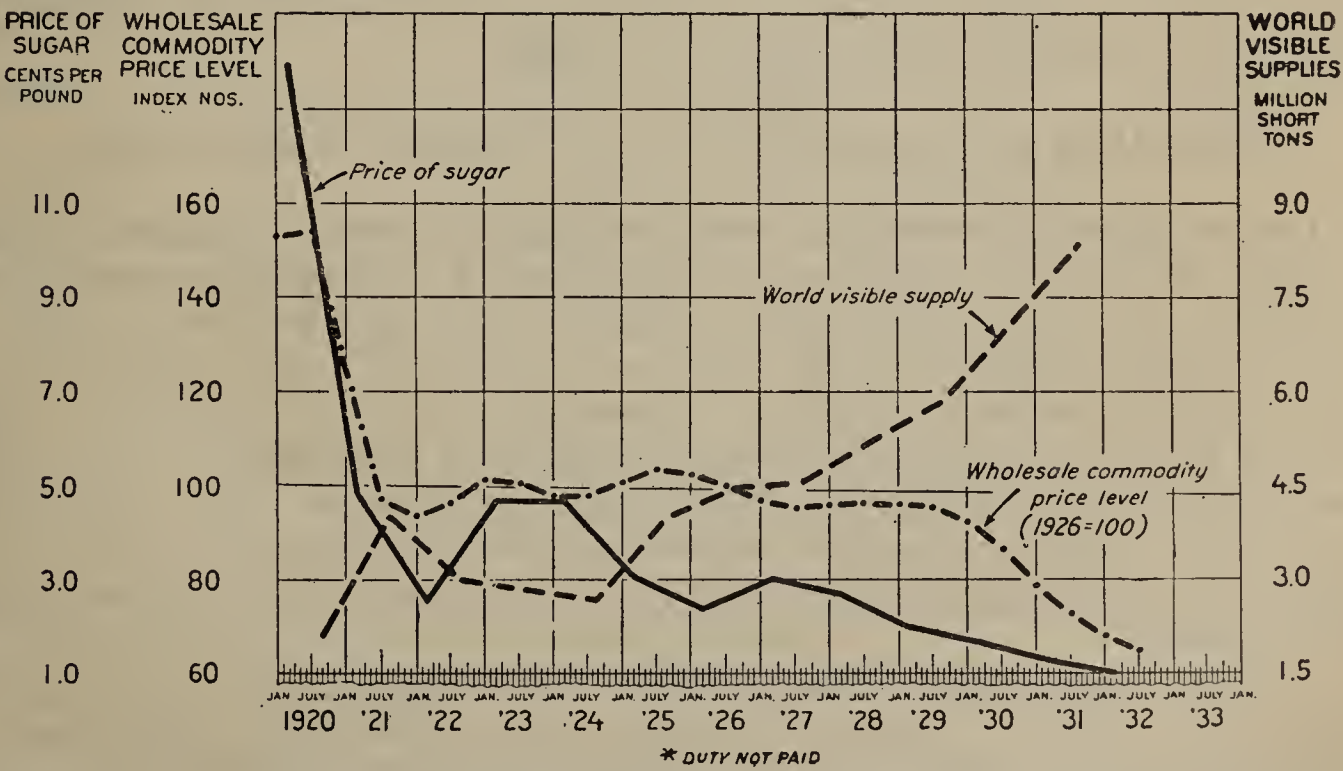


FIGURE 26.—WORLD SUPPLY OF SUGAR AND NEW YORK PRICE OF SUGAR, DUTY NOT PAID, 1920 TO DATE.

The price of sugar at New York is influenced by changes in the total world supply, consisting of annual production plus carry-over from the previous year, and in the general wholesale commodity price level. The price of sugar is not so sensitive to changes in total world supply as to changes in the visible supply.

In general, an increase in the world supply is accompanied by a decrease in price and vice versa. The movement of supplies for the most part has been upwards, but there was a brief downward movement during the period 1922-23 to 1923-24, with a consequent improvement in the United States price. The general price level is also a contributing factor in making the price of sugar, for the latter in general moves in harmony with the former. Of the two factors, supply and price level, it is probable that supply is the more important.

The general downward movement of sugar prices in the United States during the last 10 years has been associated with an almost continuous upward movement of world production and world surpluses. (Figs. 25 and 26.) As has been mentioned, most of the increased production of the last decade has come in tariff-protected areas. An analysis of the total world production by regions, on the basis of tariff regimes, reveals that some 75 percent of the 10,300,000 short tons of increase has occurred in tariff-protected regions.

About 4,600,000 tons, or 45 percent of this increase, has appeared in the tariff orbit of continental Europe and may be attributed, in part to agricultural restoration. About 1,000,000 tons, or 10 percent, has occurred in the British Empire; 600,000 tons, or 6 percent, in Japan and Taiwan; and 1,500,000 short tons, or 14 percent, within the tariff wall of the United States. (Table 53.) The rates of increase in the foregoing areas on the basis of their production in the three years 1920-21 to 1922-23 were as follows: Continental Europe, 104 percent; British Empire (excluding India), 95 percent; Japan and Taiwan, 136 percent; and the United States and dependencies, 54 percent. The average rate of increase for these areas was almost 90 percent in contrast to the average rate of increase of 21 percent for the rest of the world, and is higher even than the 57 percent of increase of Java, where the output of sugar was greatly stimulated by improvements in the rate of yield of the sugar cane. These facts are suggestive of the influence of government intervention in bringing about the present world surplus of sugar.

NATURE OF INTERVENTION IN FOREIGN COUNTRIES

Government intervention with respect to sugar has taken many forms. It usually includes control, largely through the restriction of imports, over the quantity available for consumption within an area around which a tariff wall can be erected. In a situation of diminished domestic supplies, domestic price tends upward. The higher price tends to maintain or to stimulate production, which may be part of the purpose of the import restrictions. On the other hand, the higher price also tends to reduce consumption, and thus militates in part against the sugar industry for which the assistance is intended.

Nearly every country that is under the protection of a sugar tariff is, on the whole, a deficit-producing area. But some, like Czechoslovakia and Germany, are exporting countries whose surplus sugar must compete in the open market. In these countries the tariff is made effective by the domestic sugar interests themselves, who accomplish this end by organizing into "cartels" with or without

government participation, for the control of distribution and prices within the tariff-protected area. These interests benefit from the high price maintained for part of their output with the assistance of the tariff, while disposing of their surplus abroad for whatever it will bring.

Table 56 shows the duties in effect on sugar in 37 countries, as of 1932. These rates of duty constitute a fairly good indication of the degree to which the governments concerned have entered into sugar defense programs. The weighted average of the duty for the whole table is almost 2.8 cents a pound.¹¹ For Europe the weighted average is about 6.8 cents a pound, most of the duties there being well above 2 cents a pound.

TABLE 56.—*Import duties and other taxes on raw sugar in foreign countries, 1932*

[96° polarization or nearest equivalent]

Country	Total tax on imported sugar		Import duty	Consumption taxes, sales taxes, etc. (percents are ad valorem)
	In cents per pound (percents are ad valorem) ¹	In foreign units (percents are ad valorem)		
BRITISH EMPIRE				
United Kingdom: General-----	1.19-----	8s. 1.6d. per hundred-weight.	8s. 1.6d-----	(²).
Dominion-----	0.65-----	4s. 4.8d. per hundred-weight.	4s. 4.8d-----	(²).
Colonial-----	{0.35-----	³ 2s. 4.8d per hundred-weight.	2s. 4.8d-----	(²).
	{0.50-----	3s. 4.8d. per hundred-weight.	3s. 4.8d-----	(²).
Irish Free State-----	1.50-----	10s. 2d. per hundred-weight.	10s. 2d-----	(²).
Canada:				
General-----	1.15 plus 3 per cent.	1.32255 cents per pound plus 3 percent.	1.32255 cents-----	3 percent.
Intermediate-----	do.	do.	do.	Do.
Preferential-----	0.26 plus 3 per cent.	0.29688 cent per pound plus 3 percent.	0.29688 cent-----	Do.
India-----	2.01-----	9 rupees 1 anna per hundredweight.	9 rupees 1 anna----	
Australia-----	1.10 plus 6 per cent plus 10 percent.	⁴ £9. 6s. 8d. per ton plus 6 percent plus 10 percent.	£9. 6s. 8d-----	⁴ 6 percent plus 10 percent.
New Zealand-----	0.65-----	0.5d. per pound plus 5 per cent of duty.	0.5d. plus 5 per cent of duty.	
Ceylon-----	0.33-----	1.50 rupees per hundred-weight.	1.50 rupees-----	
Federated Malay States.	1.91-----	5 cents per pound-----	5 cents-----	
ASIA				
China-----	1.54-----	5.145 gold customs units per picul.	4.90 gold customs units.	(⁵).
Japan-----	1.50-----	9.88 yen per 100 kin-----	5.33 yen-----	4.55 yen.
Siam-----	0.63-----	5 bahts per 100 kilos-----	5 bahts-----	
Turkey-----	3.86-----	18 Turkish pounds per 100 kilos plus 10 percent ad valorem.	18 Turkish pounds.	10 percent.

Compiled in the Division of Foreign Agricultural Service, Bureau of Agricultural Economics, U.S. Department of Agriculture; rates checked and revised as of Nov. 19, 1932, by the Division of Foreign Tariffs, U.S. Department of Commerce, and the U.S. Tariff Commission.

¹ Conversion to United States currency based on rate of exchange prevailing on Nov. 19, 1932.
² Excise does not apply to imports.
³ Lower rate limited to specified quota.
⁴ The 6 percent is based on the duty-paid value plus one fifth of that value.
⁵ Customs surtax of 5 percent of the duty imposed from Aug. 1, 1932, until the liquidation of the American wheat loan. There are also smaller surtaxes, varying by ports.

¹¹ Duty, converted to cents a pound, weighted by the population of the country.

TABLE 56.—*Import duties and other taxes on raw sugar in foreign countries, 1932—Continued*

[96° polarization or nearest equivalent]

Country	Total tax on imported sugar		Import duty	Consumption taxes, sales taxes, etc. (percents are ad valorem)
	In cents per pound (percents are ad valorem)	In foreign units (percents are ad valorem)		
EUROPE				
		<i>Per 100 kilos</i>		
Austria.....	4.33.....	26.38 gold crowns.....	⁶ 21.12 gold crowns.....	2.2 percent.
Belgium.....	1.26 plus 2.2 percent.	100 francs plus 2.2 percent.	100 francs.....	
Bulgaria.....	0.26.....	81 gold leva.....	40 leva.....	41 leva.
Czechoslovakia.....	7.21.....	537 crowns.....	338 crowns.....	⁷ 199 crowns.
Denmark.....	0.46.....	5.90 crowns.....	5.90 crowns.....	
Finland.....	2.96.....	450 marks.....	450 marks.....	
France:				
General.....	7.40 plus 6 percent.	416.50 francs plus 6 percent.	331.50 francs.....	85 francs plus 6 percent.
Minimum ⁸	4.45 plus 6 percent.	250.75 francs plus 6 percent.	165.75 francs.....	Do.
Germany.....	5.17 plus 2 percent.	48 reichsmarks plus 2 percent.	27 reichsmarks.....	21 reichsmarks plus 2 percent.
Greece.....	2.76.....	⁹ 1,050 paper drachmas.....	⁹ 1,050 drachmas.....	
Hungary.....	7.51 plus 9 percent.	95.008 pengo plus 9 percent.	45.008 pengo.....	50 pengo plus 9 percent.
Italy.....	13.12 plus 15 percent.	565 paper lire plus 15 percent.	¹⁰ 165 lire plus 15 percent.	400 lire.
Netherlands.....	4.51.....	24.75 florins.....	Free.....	24.75 florins.
Norway.....	2.45.....	32.20 crowns.....	32.20 crowns.....	
Poland.....	11.55.....	227.50 zlotys.....	90 zlotys.....	137.50 zlotys.
Portugal.....	3.10 plus 2 percent.	225.67 paper escudos plus 2 percent.	¹¹ 225.67 escudos.....	2 percent.
Spain.....	¹² 9.18.....	¹² 105 pesetas.....	¹² 60 pesetas.....	45 pesetas.
Sweden.....	0.55.....	7 crowns.....	7 crowns.....	
Switzerland.....	0.02.....	0.25 franc.....	¹³ .20 franc.....	0.05 franc.
Yugoslavia.....	5.95 plus 11 percent.	970 paper dinars plus 11 percent.	220 dinars.....	750 dinars plus 11 percent.
OTHER				
Algeria:				
General.....	6.91.....	388.75 French francs.....	331.50 francs.....	57.25 francs.
Minimum ⁸	3.97.....	223 French francs.....	165.75 francs.....	Do.
Morocco.....	1.69 plus 12½ percent.	95 French francs plus 12½ percent.	12½ percent.....	95 francs.
Argentina.....	3.05.....	11.476 gold pesos.....	¹⁴ 11.476 pesos.....	
Chile.....	0.55.....	20 gold pesos.....	20 pesos.....	
Peru.....	3.94.....	¹⁵ 31 soles plus 3 percent.	¹⁵ 30 soles plus 3 percent.	1 sole.
Egypt.....	1.68.....	¹⁶ 1,100 milliemes.....	1,100 milliemes.....	(¹⁶).

⁶ This rate applies only to imports for refineries, subject to permit.⁷ Lump sum turnover tax.⁸ Applies to imports from Cuba and Dominican Republic. Colonial sugar duty free.⁹ Includes surtaxes amounting to 75 percent of the duty.¹⁰ Raw sugar of first class.¹¹ This rate includes customs surtaxes and applies to imports of "foreign" sugar (that is, not of Portuguese colonial origin) into continental Portugal. The duty is reduced by 8 percent if loaded on Portuguese vessels at port of origin or at certain recognized European ports of transshipment. In addition to the duty there are various minor customhouse charges. Portuguese colonial sugar is admitted with 50 percent reduction in duty, subject to special regulations.¹² The total tax and the import duty are only nominal, since Spain, by her commercial treaty with Cuba, has agreed to admit Cuban cane sugar (unrefined or centrifugal up to 96° polarization) at a charge not higher than the manufacturing tax on Spanish sugar (equivalent to 3.94 cents per pound), when the Spanish production of sugar does not suffice to meet the needs of national consumption and importation becomes necessary. Centrifugal cane sugar, if imported via European ports, is subject to an additional duty of 3.94 cents per pound.¹³ This rate applies only to imports for refineries, subject to customs control.¹⁴ As of October 1932; rate varies slightly with price from month to month.¹⁵ Also surtaxes of 20 percent, 21 percent, or 22 percent of the duty, varying with port of entry.¹⁶ Excise tax of 60 milliemes collected on refined sugar at refinery.

For the British Empire exclusive of India the weighted average of duties is about 1.2 cents a pound and in the Orient (India, China, and Japan) the average is 1.7 cents a pound. Compared with the average New York price, as of 1932, of about 1 cent a pound, duty not paid, these rates appear very high. But they present a fair picture of the high level of the world-wide economic nationalism in regard to sugar.

It would be difficult indeed to name a single country in which there has not been some form of intervention in the sugar industry. In the United Kingdom, which next to the United States is the greatest importer of sugar, a combination of tariff and bounty has been in force since 1925, the protection of the tariff being extended by means of preferential rates to include the sugar-producing colonies of the British Empire as well. In the Netherlands a direct subsidy is accorded to the beet growers. In almost every country of Europe high tariffs on sugar prevail. In Germany and Italy the price is fixed, if not by the Government itself, at least with its tacit consent. A brief description of some of the more significant cases of state intervention follows; more complete discussion, with details as to legislation, mode of operation, etc., will be found in the Appendix.

INTERVENTION IN IMPORTING COUNTRIES

The British Empire, including two of the world's great sugar-importing areas (England and Canada) and some of the most important producing areas (Australia, Mauritius, British Africa, British Guiana, etc.), has been in the forefront of the advancing sugar production of the last decade, the output of the British Empire having practically doubled since the immediate post-war period (table 53). The most important measures of intervention in the Empire have been the payment of a production bounty in the domestic beet-sugar industry in England and the extension by England and by Canada of tariff preferences to the colonies and dominions of the British Empire. The preferential duty in each country at the end of 1932 was, roughly speaking, about one half of the general duty (table 56). The percentage of imports from British sources into the United Kingdom rose from 4 percent in 1913 to 24 percent in 1924 and to 33 percent in 1931. In the case of Canadian imports, the percentage of Empire sugar rose from 31 percent in 1924 to 94 percent in 1931. As a consequence, the colonies have been able to maintain the volume of their output despite declining prices in the world market and in the dominions.

In the United Kingdom the bounty is paid to the manufacturers of sugar upon the condition that the benefit of the bounty shall accrue to the growers of the beets. The subsidy was enacted in 1925, to continue over a period of 10 years, starting at 19s. 6d. per hundredweight (\$4.24 per 100 pounds at par) for 98° or better sugar and declining to 6s. 6d. per hundredweight (\$1.41 per 100 pounds) at the end of the 10-year period. So effective was the subsidy that, from 1923 to 1930, the production of sugar in the United Kingdom rose from 14,000 to 470,000 short tons.¹²

In the Netherlands, like the United Kingdom traditionally a free-trade country, intervention in aid of the sugar industry has similarly taken the forms of tariff protection and a subsidy to beet growers. In this case the subsidy, begun in 1931, was placed on a sliding-scale basis to keep the price of sugar within certain limits.

¹² The special assistance extended to the sugar industry in Australia is discussed on pp. 275 and 392.

Other countries use similar methods. Austria extends a considerable measure of protection through the tariff. In 1921, 1926, and 1928 the sugar duty was increased. Meanwhile the domestic output of sugar rose from 6,000 short tons in 1920-21 to 180,000 short tons in 1931-32, a quantity three times as large as the pre-war output of 52,000 short tons. In 1926 Turkey established a state monopoly for the importation of sugar and sugar products, in addition to a protective tariff. For the period 1928-31 an average production of 33,000 short tons was reported in Turkey, whereas in 1925-26 no production had been reported. In Lithuania a high duty was supplemented in 1931 by a guaranteed price for sugar beets and the establishment of a government-controlled sugar-beet factory. Latvia and Spain, in 1932, embarked on new or greatly enlarged programs of aid to their domestic sugar industries in order to stimulate domestic production. In Latvia a government sugar monopoly was established, and in Spain the prices of sugarcane and sugar beets were fixed by decrees of the Spanish Government.

Whereas the countries so far cited have devoted their efforts largely to increasing the output of sugar in order to achieve independence from foreign sources of supply, others have endeavored to retain a degree of independence already achieved. Among the latter are Sweden, Denmark, and France. In Sweden attempts to maintain stabilized prices for sugar beets have been in force almost continuously since the war. At first largely a matter of private agreement between beet producers and sugar factories, the guaranteed price to growers has become a direct concern of the Government. Since 1930, the Government has been paying a subsidy directly to growers as an addition to their market price in order to bring the total receipts per ton up to a specified guarantee. In 1932 the payment of the subsidy was continued in an indirect form, a sugar import monopoly being established as part of the system.

In Denmark the sugar factories and refineries were given a complete monopoly over sugar production and trade in 1932, and the prices of sugar beets and refined sugar were fixed by Government decree.

In France the effort to keep up the price of sugar included import quotas and an agreement on the part of the beet-sugar producers to withhold a certain proportion of the supplies.

The trend toward national self-sufficiency in sugar has spread beyond Europe and the Americas. On the other side of the globe, Japan has established an important sugar industry in Taiwan (Formosa). Since 1900, substantial subsidies to the sugar industry have been granted, from time to time, by the Taiwan Government-General. From 1900 to 1926 some \$6,000,000 was spent on fertilizer, supplies, machinery, irrigation works, etc. to promote the establishment of the sugar industry in Taiwan, and the Government has made grants of seed cane to the industry. The Taiwan industry has also received considerable benefit from the duty imposed by Japan on imports of sugar. Production in Taiwan rose from an average of 472,000 tons in the period 1921-22 to 1925-26, to an average of 970,000 short tons in the 2 years 1930-31 and 1931-32.

INTERVENTION IN EXPORTING COUNTRIES

Until recently, intervention in the sugar-exporting countries, like that in the importing, was mainly of a sort tending to maintain or increase output. But during the past few years restriction of exports and production has introduced a new phase.

1. *Stimulation or maintenance of output.*—While many of the sugar-importing countries in the world have been seeking independence from foreign sources of sugar, a number of the exporting countries have been engaged in maintaining the volume of their output at a given level, or in increasing it. Australia, Czechoslovakia, Germany, Hungary, Poland, for a number of years past, and Brazil and Argentina more recently, have intervened with a view either to maintaining or to increasing the volume of sugar production.

In Australia, intervention has taken a very direct form. The Government of the State of Queensland, which produces practically all of Australia's sugarcane, exercises a monopoly over the production and distribution of cane sugar throughout the Commonwealth of Australia. This is done through an arrangement between the Commonwealth and the State governments as a means of insuring a good price to the grower.

In Czechoslovakia, Germany, Hungary, and Poland, intervention has taken the form of measures to maintain the internal price of sugar above world parity, while exports continue to be made at the world parity price. These effects were accomplished through the medium of the tariff imposed by the Government, and through private control over domestic production and distribution on the part of the well-organized domestic industry in each of these countries, largely through cartels. The tariff rates as of 1931 are given in table 56.

2. *Restriction of exports and production as a new phase of intervention.*—With the inauguration of the International Sugar Agreement in May 1931 (see below), another type of intervention became prevalent in the exporting countries, namely, restriction of exports, supplemented by production restriction. Under this agreement the most important sugar-exporting countries, including Java, Cuba, Czechoslovakia, Poland, Germany, and others, contracted to restrict their exports, to reduce their surplus stocks, and, by implication, to reduce their production. At about the same time Argentina and Brazil, although they did not join in the international agreement, set up individual programs for the restriction of production.

(a) *Cuba.*—The movement for restriction was really initiated earlier, however, by Cuba, whose prosperity is almost wholly dependent upon sugar. As early as May 1926, Cuba enacted a law empowering the President to restrict the crops of 1927 and 1928, and to forbid any grinding before a specific date to be announced each season. A 10 percent reduction was provided for the 1926 crop, then being harvested. In 1927, 4,500,000 long tons was set as the maximum crop, and January 1 was set as the date for the beginning of grinding.

In preparation for the 1928 crop the sugar defense law of October 4, 1927, was passed, to remain in force until 1933. It provided for the appointment of a National Commission for the Defense of Cuban Sugar, consisting of five members, to act as advisers to the

President of Cuba. It provided that the Defense Commission prepare each year estimates of the quantity of Cuban sugar required by Cuba itself, by the United States, and by the rest of the world, and that the President then fix the total quantity of the Cuban crop and its proportional distribution under these three headings. It further provided that he should fix the production quota for each mill (sugar produced in excess being made subject to a fine of \$20 per bag) and the percentage of the quota that might be exported to the United States. A Cuban Sugar Export Corporation was set up to take charge of the actual administration of quotas.

Operations under this law have varied from year to year. In 1928 grinding was delayed until January 15, the crop was limited to a tonnage nearly one half million below that of 1927, quotas were set up for exports to the United States, and to countries other than the United States, and 200,000 long tons were designated as the surplus to be carried over. During 1929 and 1930, the policy of restriction was largely abandoned, the only restriction being the postponement of grinding until January 1. From January to June 1929, the Sugar Export Corporation was suspended. It was reconstituted in July 1929 to act as single seller for a privately organized Cooperative Export Agency and it continued in existence after that agency was voted out of existence in April 1930. In January 1931 the policy of restriction was revived, in anticipation of the international sugar agreement concluded in May, with a decree limiting the Cuban sugar crop to 3,100,000 long tons, out of which a maximum of 3,000,000 tons could be exported, 2,600,000 to the United States and 400,000 to other countries.

On May 14, 1931, the Cuban Sugar Stabilization Institute was established to represent Cuban participation in the international sugar agreement and to control Cuban production and exports of sugar. Administrative details continued to be entrusted to the National Sugar Export Corporation. Producers and exporters were each allotted a definite quota, and a heavy fine (10 cents per pound) was levied for any sugar produced or exported in excess of the quota.

(b) *The international sugar agreement of 1931.*—At Brussels, on May 9, 1931, Cuba, Java, Germany, Czechoslovakia, Poland, Hungary, and Belgium, jointly accounting for about 40 percent of the world's sugar production and about 90 percent of the world's sugar exports, entered into an agreement, effective as of the beginning of the crop year of 1930–31, to limit their exports to specific annual quotas, to separate their excess stocks from their normal supplies, and to eliminate the surplus. Later in 1931 Peru and Yugoslavia also joined. An International Sugar Council was established to govern the application of the agreement, and export quotas were assigned to the various countries, except that, for Cuba, only the volume of the exports to countries other than the United States was specified. These quotas as originally drawn are given in table 57. The figures given in the table for Cuban exports to the United States are estimates of the Cuban authorities based upon the consuming capacity of the United States. Although not a part of the international agreement, they are representative of its intent.

TABLE 57.—*Sugar export quotas of various countries under the terms of the international sugar agreement, 1931 to 1935*

[1,000 short tons]

Country	1931	1932	1933	1934	1935
Cuba (beginning Jan. 1):					
To the United States.....	2, 886	3, 136	3, 136	3, 136	3, 136
To other countries.....	734	902	958	958	958
Total Cuban exports.....	3, 620	4, 038	4, 094	4, 094	4, 094
Java (beginning Apr. 1).....	2, 535	2, 645	2, 756	2, 866	2, 976
	1930-31	1931-32	1932-33	1933-34	1934-35
Europe (ending Sept. 1):					
Czechoslovakia.....	629	629	629	629	629
Germany.....	551	386	331	331	331
Poland.....	340	340	340	340	340
Hungary.....	93	93	93	93	93
Belgium.....	33	33	33	33	33
Total, Europe.....	1, 646	1, 481	1, 426	1, 426	1, 426
Total of above countries.....	7, 801	8, 164	8, 276	8, 386	8, 496

An increase of 5 percent in export quotas was to be permitted when the price of sugar f.o.b. Cuba reached 2 cents a pound and maintained that level for 30 days. If the price reached 2¼ cents, an additional 2½ percent was to be permitted at the discretion of the International Sugar Council, or a total of 7½ percent in excess of the original quotas. If it reached 2½ cents, a further 2½ percent, or in all an addition of 10 percent to the original quotas, was to be permitted. In case Germany in any year was unable to export its quota, such deficiency up to a given limit was to be allotted to Cuba, Czechoslovakia, Poland, Hungary, and Belgium, to be exported by them during the next year in addition to their normal quotas.

As a means of eliminating the excess stocks, the sugar agreement, besides limiting exports to a specific quota for each country, directed each one to dispose annually of a specific quantity of sugar; these quantities were designated as excess supplies. It was further agreed that each of the participating countries should so adjust the production of sugar that its output, plus the annually disposable part of its surplus, would not exceed its domestic consumption plus its assigned export quota. Surpluses then existing in the various countries were declared as consisting of the following quantities: Cuba, 1,456,000 short tons; Java, 551,000 short tons; Germany, 93,000 tons; Czechoslovakia, 10,000 tons; Poland, 88,000 tons; Hungary, 18,000 tons; and Belgium, 32,000 tons. The segregated stocks in Cuba were to be reduced at the rate of about 292,000 short tons a year, and annual installments also were provided for the gradual working off of the surplus stocks in other countries.

At the end of the first year of the operation of the sugar agreement, despite lower production in the countries participating, world stocks had become larger, prices had reached the lowest levels in 38 years, and international trade had diminished. State intervention in countries not members of the agreement continued unabated in the direction of increasing production. Meanwhile the general world depres-

sion was deepening. Under such conditions the exports of the agreement countries fell far short even of the restricted quantities set up in the agreement.

Early in 1932 the terms of the agreement were revised, following meetings of the International Sugar Council in Brussels and in Paris. Cuba agreed to fix its 1932 crop at about 2,700,000 long tons; and the European parties agreed to accept a reduction from their 1932 export quotas equal to the quantity by which Java might exceed 1,680,000 tons during the year April 1932 to March 1933. The Cuban reduction in terms of exports was about 164,000 short tons; and the European reduction, equal to the difference between 2,645,000 and 1,680,000 tons, amounted to 965,000 short tons.

In spite of these reductions, sugar prices early in June 1932 declined to an all-time low of 0.57 cent a pound New York, exclusive of the duty. When it became apparent in Cuba that the quota it had planned to export to the United States would be excessive, a pool was organized by banking interests for the purpose of holding for a rise in prices the stocks represented by the 1932 export certificates; and on July 2 the pool was made official and obligatory by Presidential decree. Out of the amount assigned to the United States during 1932, 700,000 long tons (784,000 short tons) was to be withheld until the average price, New York, not including the duty, should reach 11½ cents per pound and remain there for 5 days. Another decree (August) extended the duration of the pool to June 30, 1933.

At a meeting of the International Sugar Council at The Hague late in 1932 negotiations that had extended over 4 months finally resulted in another revision of the agreement. In view of her diminished exports to the United States market, Cuba was accorded an increase in exports to other countries for 1933 up to 1,000,000 long tons plus whatever part of the 1932 German export deficit Cuba did not utilize in 1932. This increase in the Cuban quota would be deducted from the quotas of Java and Europe. For 1934 and 1935 the Cuban ex-United States export quota was set at 930,000 long tons, the increase to be offset by a reduction in the quotas of other countries, Germany being the chief contributor. As a compensation to Germany and the other member countries (other than Java and Cuba), Java agreed that if the world price of sugar reached the level at which export quotas were automatically to be increased by 5 percent, the other member countries (excepting Cuba) could have the benefit of the 5 percent to which she (Java) was entitled. At the same time the pivotal price at which export quotas automatically increase was diminished by common agreement from 2 cents a pound to 1¾ cents a pound f.o.b. Cuba.

Reference has already been made to the production restrictions adopted by Cuba to implement the International Agreement. In the other member countries also, notably in Java and Germany, similar measures for implementing the agreement have likewise been adopted. (See ch. V, p. 98, and, for further details, the appendix.)

(c) *Restriction in minor sugar-producing countries.*—To complete the discussion of restriction in sugar-exporting countries, a brief reference may be made to two cases of minor importance. Govern-

ment intervention to restrict production has appeared in direct form in Brazil and in indirect form in Argentina. In December 1931 the Brazilian Ministry of Labor, Industry, and Commerce was placed in direct control of the Brazilian sugar market and the price of sugar at the principal Brazilian sugar market, Rio de Janeiro, was stabilized between 39 and 45 milreis (paper) per bag (3.5 and 4.1 cents per pound at par).¹³ In Argentina, beginning early in 1931, a previously established National Sugar Commission was directed so to adjust the duty on sugar as to maintain the domestic price between 11 centavos gold per kilo (4.8 cents a pound at par) and 41 centavos paper (7.9 cents a pound).¹³ Under the auspices of the National Sugar Commission an agreement was reached among the producers whereby they were to limit their production and distribution in the domestic market.

EFFECTS OF GOVERNMENT INTERVENTION ON THE WORLD SUGAR SITUATION

EFFECTS PRIOR TO 1931-32

Prior to the year 1931-32, government intervention tended distinctly to increase world production and to reduce world consumption of sugar. The ever-widening gap between quantity produced and quantity consumed was apparent in the world surplus of sugar, which continued to mount at an increasing rate until 1932-33. This rising surplus was accompanied by an almost continuously declining price.

1. *Effects on production.*—From 1920-31 to 1931-32 world production increased from a little over 19,000,000 short tons to 29,000,000 short tons. During the same period visible supplies (as of Sept. 1) increased from 2,000,000 short tons to well over 8,000,000 short tons (table 53). The chief increases in production during this period occurred in those areas in which government intervention was most prominent—in general, the deficit-producing countries. In Europe, and in the British colonies and dominions exclusive of India, the volume of output approximately doubled during the decade. In the insular possessions and Territories included within the tariff wall of the United States, production has increased by about 90 percent since the World War.

The increase of production in the foregoing areas becomes the more significant when it is remembered that production meanwhile in Cuba—one of the lowest-cost sugar-producing countries of the world—declined by about 11 percent. The fact that the output of some of the lower-cost producers was declining while that of some of the higher-cost was increasing rapidly, clearly indicates that government intervention was hindering effective development of the world sugar industry on the basis of natural advantage. The increasing output of the less efficient areas, it is generally recognized, has been brought about largely through government intervention.

In table 58 are summarized the statistics of production and imports of a group of deficit countries and areas where government

¹³ In May 1933 the Brazilian milreis stood at about 64 percent of par and the Argentine peso at about 70 percent of par.

intervention in sugar has been important. Very marked increases in production appear in the United Kingdom, in the British Empire as a whole (exclusive of India), in Austria, France, Italy, Japan (including Taiwan), in Turkey, and in Yugoslavia. In these countries imports either have been kept close to their former level or have actually been reduced in volume.

The sum total of production for all of the countries shown as of 1930-31, minus the production of 1925-26, is 2,022,000 short tons. This represents an increase of almost 50 percent in 5 years, illustrating in striking fashion what a tremendous stimulus has been given by government aid to the expansion of sugar output. Since 1925-26 neither post-war rehabilitation nor favorable prices have been factors in promoting expansion, for reconstruction was by now well on its way and, beginning early in 1924, a decline in prices had set in.

In table 58 is indicated also the effect on international trade of the increased production in deficit areas. Drastic increases in the volume of imports of these countries are evident in most of the cases given. The United Kingdom offers a possible exception, for the amelioration of the tariff barrier in the United Kingdom gave considerable impetus toward the marked increase in consumption prior to 1931-32. The total decrease in imports in deficit areas was from 3,746,000 to 3,119,000 short tons, or a decrease of about one fifth over a period of 5 years.

TABLE 58.—*Production and imports of sugar in deficit areas where intervention has been of a stimulative character in the period between the years specified*

Country	Year	Production	Net imports	Intervention
		1,000 short tons	1,000 short tons	
United Kingdom.....	1923	15	1,720	Subsidy paid to factories with the stipulation that they pay a fixed price to the beet growers. Tariff.
	1925-26	63	2,292	
	1930-31	486	1,829	
British Empire (exclusive of India.)	1923	1,106	¹ 2,009	Tariffs, including preferences to colonies and dominions.
	1925-26	1,655	¹ 2,811	
	1930-31	2,333	¹ 2,383	
Austria.....	1923	52	87	Tariff.
	1925-26	86	109	
	1930-31	166	89	
France.....	1925-26	748	180	Tariff and import quota.
	1930-31	1,298	144	
Greece.....	1925-26	(²)	67	Tariff.
	1930-31	(²)	70	
Italy.....	1925-26	174	15	Do.
	1930-31	469	6	
Japan and Taiwan.....	1925-26	654	317	Tariff. Subsidies to production.
	1930-31	965	164	
Netherlands.....	1925-26	330	55	Tariff and production bounty.
	1930-31	318	92	
Spain.....	1925-26	278	(³)	Tariff; fixed prices for beet and cane in 1932.
	1930-31	337	(³)	
Sweden.....	1925-26	204	117	Tariff; production bounties; minimum price guaranties; monopoly in 1932.
	1930-31	206	94	
Turkey.....	1925-26	(²)	69	State monopoly.
	1930-31	14	70	
Yugoslavia.....	1925-26	67	6	
	1930-31	112	³ 7	Tariff.
Total.....	1925-26	4,196	3,746	
	1930-31	6,218	3,119	

Compiled from International Yearbook of Agricultural Statistics.

¹ Includes only United Kingdom, Canada, and Irish Free State.

² Less than 1,000.

³ Exported instead of imported.

Production was stimulated by government intervention in exporting countries also, although not to the same extent as in importing countries. A number of examples are summarized statistically in table 59.

TABLE 59.—*Production and exports of sugar in surplus countries where intervention was of a stimulative character in the period between the years specified*

Country	Year	Production	Net exports	Intervention prior to 1931
		1,000 short tons	1,000 short tons	
British Empire:				
Australia.....	1923-24	320	9	Embargo on imports; government monopoly of trade; tariff preference of the British Empire.
	1925-26	583	181	
	1930-31	606	211	
British Africa.....	1923-24	203	29	Tariff preference of the British Empire.
	1925-26	240	54	
	1930-31	393	170	
British Guiana.....	1925-26	120	109	Do.
	1930-31	141	128	
Total.....	1925-26	943	344	
Total.....	1930-31	1,140	509	
Continental Europe:				
Czechoslovakia.....	1925-26	1,661	994	Private or semiofficial cartels to regulate competition in domestic markets; tariffs to restrict imports and make the self-regulation of the domestic industry effective on domestic supplies and thus to maintain domestic above export prices.
	1930-31	1,259	569	
Germany.....	1925-26	1,763	1	
	1930-31	2,808	310	
Hungary.....	1925-26	183	93	
	1930-31	258	117	
Poland.....	1925-26	638	216	
	1930-31	855	423	
Total.....	1925-26	4,245	1,304	
Total.....	1930-31	5,180	1,419	

Compiled from International Yearbook of Agricultural Statistics.

Striking increases in production are shown in Austria, British Africa, British Guiana, Germany, Hungary, and Poland, with corresponding increases in exports, except in the case of Germany. Of the countries included in table 59, Czechoslovakia was the only one in which production and exports declined. For the seven countries included in the table, the increase of production from 1925-26 to 1930-31 was 1,100,000 short tons, an increase equivalent to about 17 percent. If the first three countries (included as part of the British Empire in the previous table) be excluded, the increase in production amounts to 935,000 short tons, or about 22 percent.

The net increase in production over the 6-year period from 1925-26 to 1930-31 in both deficit and surplus areas where government intervention has been a factor in stimulating production (including the countries in tables 58 and 59, and including the United States and its dependencies) amounts to about 4,000,000 short tons. With world prices ranging from 1 to 3 cents, much of this increase, especially that in the importing countries, would not have been possible without government assistance to the producers.

There is, of course, no means of determining precisely how much of the increase was due to intervention. Other factors, the effects of which are not susceptible of definite measurement, also affected the trend. The rehabilitation of war-torn areas in Europe, including

the restoration of the agricultural productive plant, accounts for a considerable part of the increase in the European sugar output between 1918 and 1924. Improvements in technology and in sugar-beet and cane varieties, the high price of sugar prior to 1924, and the relatively high prosperity prior to 1929, are all to be taken into account.

Considering how wide-spread and how thorough-going has been government intervention on the behalf of sugar during the last decade, it is perhaps reasonable to assume that at least one half of the increase in production in the European orbit (European countries and dependencies) may be attributed to it. In other words, of the 5,600,000 short tons by which the production of sugar within the European tariff orbit during the last 3 years exceeded the production of 10 years ago, perhaps 2,800,000 short tons can be attributed to the influence of state intervention. Another quarter of a million tons of the increased production may be attributed to state aid in Taiwan and other parts of the Orient. Furthermore, within the orbit of the United States tariff, probably at least half the increase in the production of sugar in our insular possessions can be attributed to the tariff. This would mean something like 750,000 tons.

Roughly speaking, it would appear that sugar production for the world as a whole may have been increased by some three and one half or four million short tons, or by about 45 percent, during the last decade in consequence of government intervention.

2. *Effects on consumption.*—The very measures that have been directed toward improving the market for the domestic sugar industries through increased prices have also had the undesired effect of reducing consumption in the several domestic markets. Moreover, in addition to protective tariffs and other measures to raise the price of sugar in the domestic market, governments have levied various other charges for fiscal purposes, such as sales taxes, consumption taxes, and manufacturing taxes. These additional charges, while not benefiting the domestic sugar producers in any direct way, have increased the price of sugar and contributed to the decrease of consumption.

The interconnection of government levies, sugar prices, and sugar consumption is shown graphically in figure 27. Taking first the relation of price to tax, it is seen that in general the duty-paid price of sugar varies from country to country approximately by the amount of the import duties and other charges levied. Second, the low-price countries have a large per capita consumption, whereas the high-price countries have a relatively small per capita consumption. Taken together, the two statements of relationship lead to a third—the consumption of sugar tends to vary inversely with a change in the duties and other charges imposed by governments. This is illustrated in figure 28, in which the average relationship between per capita consumption, and the tax in 10 foreign countries and the United States is charted as a sloping line.

The sloping line indicates in a general way that as the charges imposed on sugar increase, the per capita consumption of sugar declines. In reasoning from cause to effect, however, certain reservations must be noted. In the first place, a tariff duty or other tax on an imported product usually is not fully effective; that is, it does not increase the price of the product over what it would otherwise have been by the full amount of duty. Moreover, the rate of sugar consumption

depends to a large extent upon per capita income, which varies from country to country, and upon more or less fixed habits of consumption, which also differ considerably in the various countries. The presence of these and other variable influences, which cannot be measured quantitatively in many cases, makes it difficult to determine to what extent government imposts affect consumption:

A separate analysis of sugar consumption in the most important single consuming market outside of the United States—the United Kingdom—on the basis of changes over a period of 10 years provides

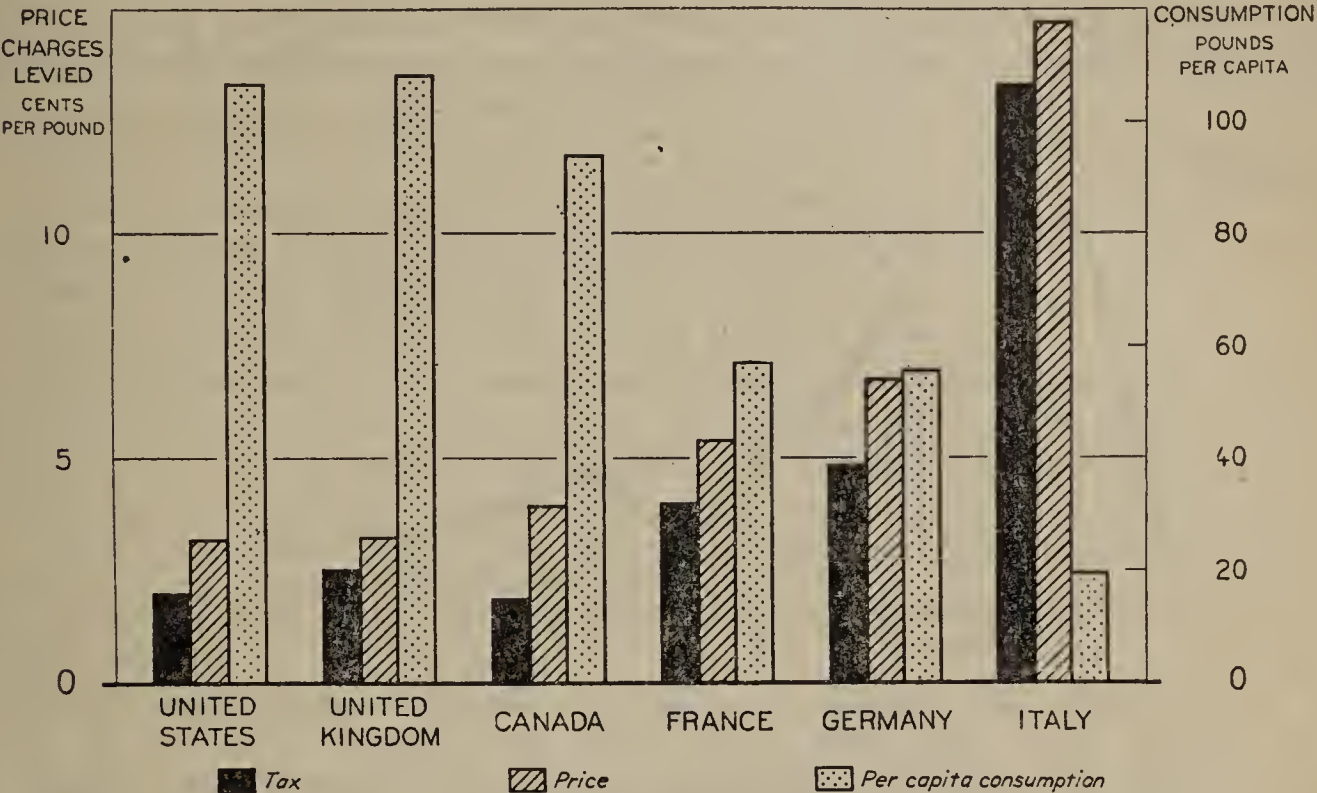


FIGURE 27.—CHARGES LEVIED ON SUGAR, PRICE OF SUGAR, AND PER CAPITA CONSUMPTION IN VARIOUS COUNTRIES, 1930-31. (GROSS RELATIONSHIPS.)

The per capita consumption of sugar tends to decrease as price increases. Price tends to increase as the import duties, consumption taxes, etc., increase.

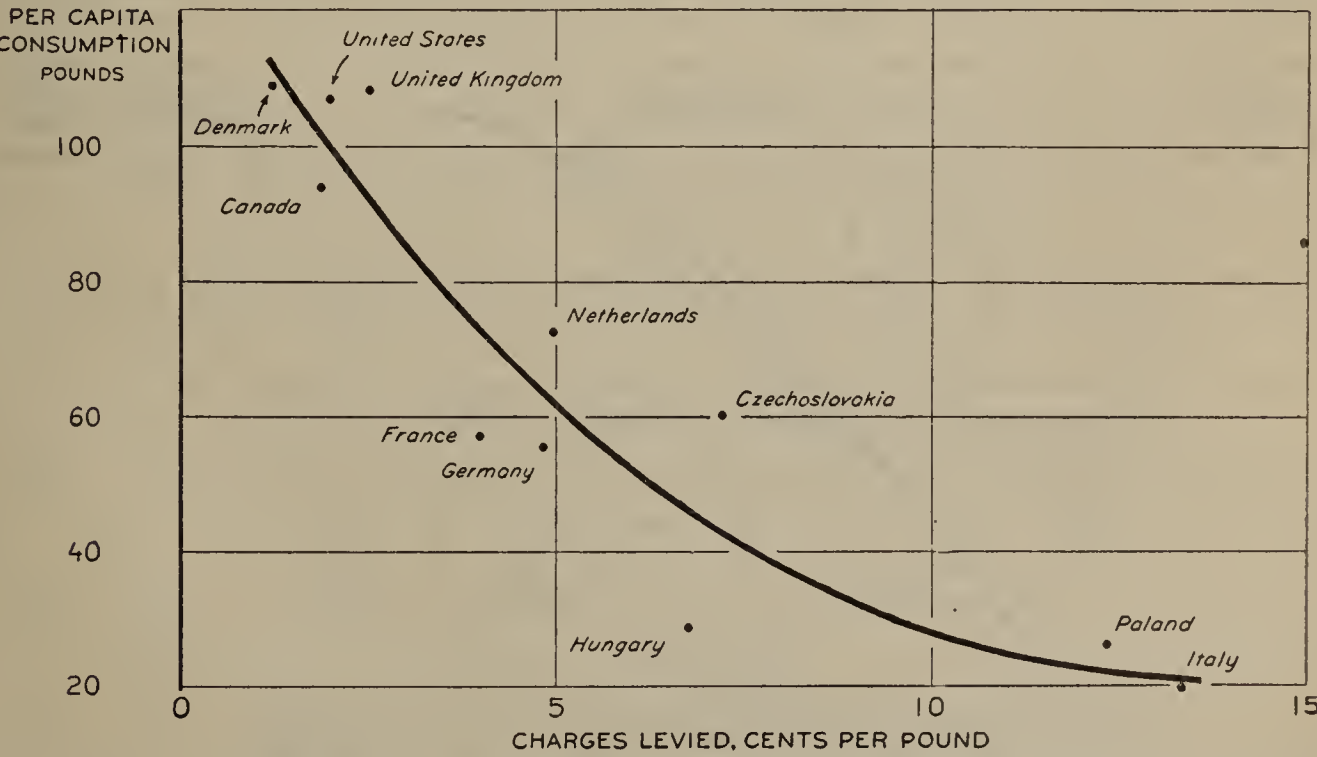


FIGURE 28.—PER CAPITA CONSUMPTION OF, AND CHARGES LEVIED ON, SUGAR IN VARIOUS COUNTRIES, 1930-31. (GROSS RELATIONSHIP, WITH ALLOWANCE TO BE MADE FOR OTHER IMPORTANT FACTORS INFLUENCING CONSUMPTION.)

Consumption of sugar tends to decrease as the charges levied by governments increase.

a somewhat simpler approach in studying the relations between taxes, price, and consumption. In figure 29 it is shown that the margin of the price of sugar in the United Kingdom above world prices has varied directly with the British duty on foreign sugar. Of course, other factors have contributed to the change in the London price of sugar, notably changes in the general price level in the United Kingdom and in the world price of sugar. But the effect of the British tariff upon sugar prices in the United Kingdom is suggested by the fact that during the years 1921-23 to 1925-27, while the duty on sugar was being decreased by 2½ cents a pound, the margin of the price of sugar (duty-paid refined) at London over the world price (New York, 96°, duty not paid), declined by even more than that amount.

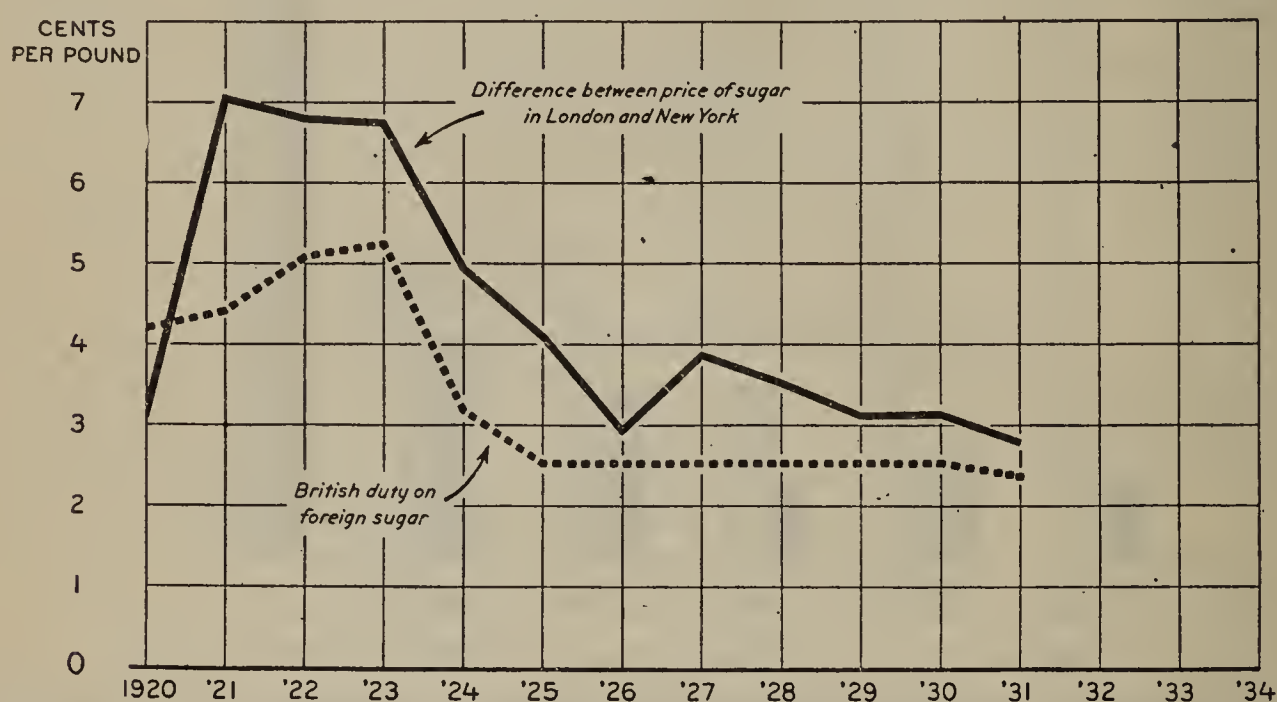


FIGURE 29.—BRITISH DUTY ON FOREIGN SUGAR AND MARGIN OF PRICE OF SUGAR IN UNITED KINGDOM ABOVE WORLD PRICE, 1920-31.

As the British duty on sugar has decreased, the margin of the price of refined sugar at London above the price of 96° raw sugar at New York, duty not paid, has also decreased.

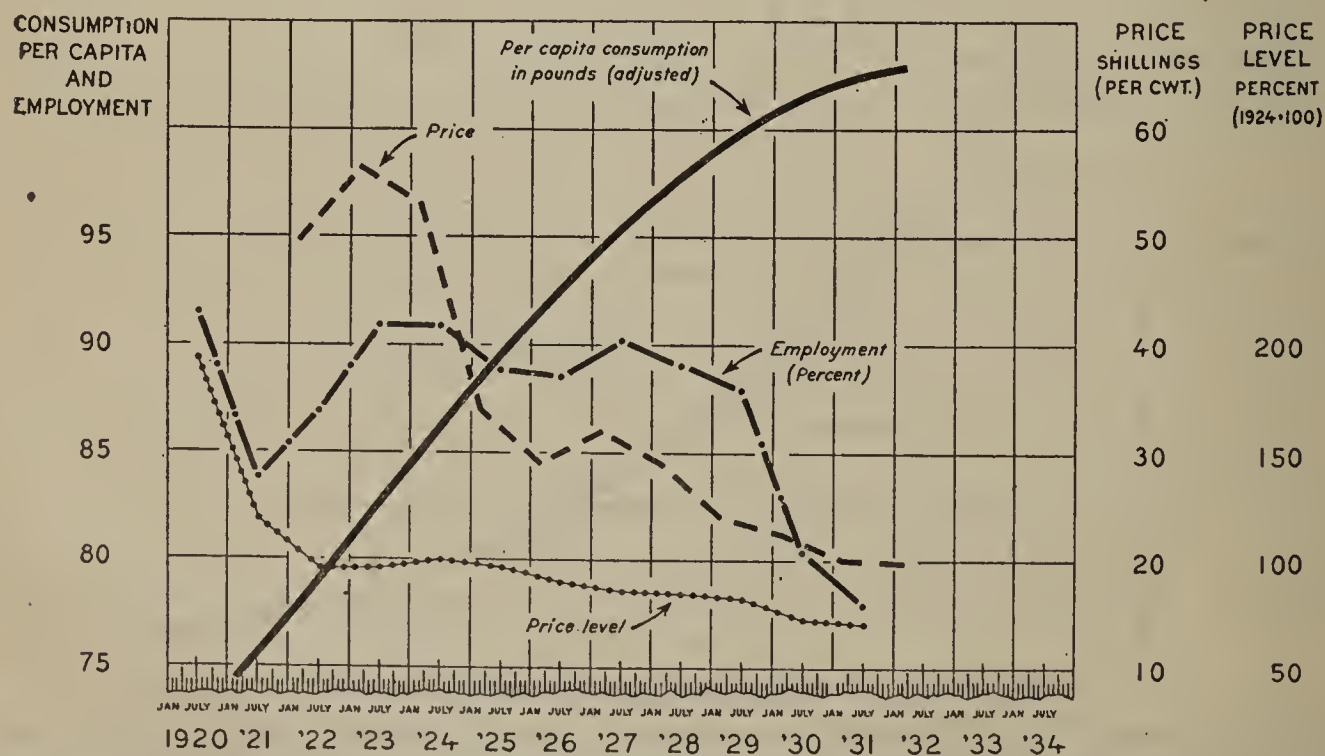


FIGURE 30.—PER CAPITA CONSUMPTION OF SUGAR IN THE UNITED KINGDOM AND VARIOUS FACTORS AFFECTING CONSUMPTION, 1920-32.

The consumption of sugar in the United Kingdom has continued to increase despite the decline in the general price level since 1924 and the decline in consumer purchasing power since 1927. The continued increase in consumption is attributable in part to the declining price of sugar and in part to shifts in demand and to other influences.

Figure 30 shows that as the price of sugar in London decreased during the decade from 1921 to 1931 the per capita consumption of sugar increased. For every cent a pound change in the price of sugar the per capita consumption changed by about $2\frac{1}{2}$ pounds. Allowance must be made, of course, for other factors that have changed with price and are independent of price. A number of these are charted in figure 30 along with the price and per capita consumption of sugar. One of the forces depicted therein—the general wholesale price level—moved downward; such a movement must have tended to reenforce the stimulating influence of declining sugar prices upon sugar consumption. On the other hand, another of the forces depicted—purchasing power—expressed quantitatively in the terms of percentage employment, has had a general downward trend since 1927. Ordinarily such a movement would have tended to reduce consumption, but this influence has been offset by other forces, such as changing habits of consumers in the direction of increasing use of sugar in the human diet.

Making allowance for these other factors, some of which are tangible and many of which are intangible, it may be said with reasonable safety that of the $2\frac{1}{2}$ pounds per capita change in consumption, perhaps half of the total, or a little over 1 pound per capita, may be attributed to the change in price. Since price varies approximately with the duty, it follows that consumption would change at the rate of something in the neighborhood of 1 pound per capita for each change of 1 cent in the duty.

The foregoing result may be used as a basis for estimating the effect of tariffs the world over on the consumption of sugar. For the world as a whole, a change of 1 pound per capita in sugar consumption means, at the present level, a variation of about 3.28 percent. Correspondingly, a change of 1 cent a pound in the price means a variation of about 25 percent. Hence the coefficient of elasticity of demand would be in the neighborhood of -0.13 . That is to say, consumption would tend to vary about 13 percent as much as price.¹⁴

This figure for the elasticity of demand would seem to be a conservative one to apply to the chief consuming areas of the world, for there is a strong probability that in many other countries the demand for sugar is more elastic than in the United Kingdom. It is generally recognized that consumption is more sensitive to change in price among groups whose standard of living is relatively low. This seems to be particularly true of China, with a population of 453,000,000, and India, with a population of 353,000,000.

This estimate may be checked by considering the changes that have taken place in world consumption and world price during the last few years. In table 60 are given the annual (crop-year) world consumption of sugar, as estimated by Dr. Mikusch, internationally known sugar statistician and economist, and the average price of sugar, duty paid, at New York (calendar year). Bearing in mind that the average duty collected for sugar the world over has been between 1 and 3 cents a pound, that European prices are higher

¹⁴ Calculated as follows: World per-capita consumption = $61,000,000,000 \text{ pounds} \div 2,000,000,000 \text{ of population} = 30.5 \text{ pounds}$. Percent change in consumption = $1 \div 30.5 = 3.28$. Percent change in price = $1 \div 4 = 25$. The former percent divided by the latter = 0.13 .

because they include costs of transportation, and that certain errors in the computation tend to cancel each other, the New York prices, duty paid, may be taken as sufficiently representative. The calculation of the elasticity of world demand on this basis is given in table 60. The resulting estimated elasticity of demand of about -0.18 is somewhat higher than the quantity -0.13 calculated on the basis of a change of 1 pound per capita for each 1 cent a pound change in the price.

TABLE 60.—Rate of change in world sugar consumption with changes in price

Crop year	World consumption ¹	Calendar year	Price of sugar at New York, duty paid ²
	<i>Tons</i>		<i>Cents per pound</i>
1924-25.....	25,400,000	1924.....	6.0
1925-26.....	27,100,000	1925.....	4.3
1926-27.....	27,100,000	1926.....	4.3
1927-28.....	28,400,000	1927.....	4.7
1928-29.....	30,300,000	1928.....	4.2
1929-30.....	29,700,000	1929.....	3.8
1930-31.....	30,500,000	1930.....	3.4
Average consumption of last 3 years.....	30,200,000	Average price of last 3 years.....	11.4
Average consumption of first 3 years.....	26,500,000	Average price of first 3 years.....	14.6
Difference.....	3,700,000	Difference.....	-3.2
Average of the 7 years.....	28,400,000	Average of the 7 years.....	4.4

$$\frac{3.7}{28.4}=0.13$$
$$\frac{-3.2}{4.4}=-0.727$$
$$\frac{0.13}{-0.727}=-0.18$$

¹ Foreign Crops and Markets, Apr. 14, 1930, p. 547; and May 23, 1932, p. 838. (Based on figures given in Consumption, Imports, and Exports of Sugar in the World, published semiannually by G. Mikusch in Vienna.)
² Agriculture Yearbook.

Both estimates are conservative as compared with that arrived at by Schultz ¹⁵ in a detailed study of statistical laws of demand and supply as they apply to sugar. Schultz found that during the decade 1903-13, the elasticity of the world demand was approximately of the order of -0.6 during the decade 1903-13. Under the conditions of price and per capita consumption prevailing during the period from 1924-25 to 1930-31 an elasticity of demand of -0.6 is equivalent to a change of from 3 to 6 pounds per capita with each change of 1 cent per pound in price.¹⁶ This indicates an elasticity nearly five times as great as that employed in the present estimate.

Adhering, then, to our original estimate of -0.13 as safely conservative, we shall proceed on the hypothesis that consumption would be higher by 1 pound per capita if the price of sugar were lower by 1 cent a pound. If the duties and consumption taxes levied on sugar in many countries had not been imposed in 1931-32, the domes-

¹⁵ Schultz, H. C., Statistical Laws of Demand and Supply (1928), pp. 168 and 188.
¹⁶ Calculated as follows:

$$\frac{0.6}{0.2}\times 1=3;\frac{0.6}{0.1}\times 1=6$$

tic prices of sugar would have been somewhere between world-price parity and the duty-paid price. If the domestic prices had been lower by the full amount of the duties, etc., the weighted average domestic price (weighted by population) for Europe, the British Empire, China, Japan, and the United States would have been lower by about 2.8 cents a pound. On the basis of the foregoing hypothesis, consumption would accordingly have been greater by 2.8 pounds per capita. An increase of 2.8 pounds in the consumption of the 1,300,000,000 people involved would have meant a total increase in consumption of 1,800,000 short tons over and above what it was in 1931-32.

However, it cannot be supposed that the duties were fully effective, since the incidence of a tax on imports, if considerable quantities are being brought in, is always divided between the foreign producers and the domestic consumers. That is to say, a part of the effect of the tax is to depress the foreign price. Precisely what allowance to make for this factor in the present connection, there is no means of knowing. But some light can be shed on the matter. Schultz found¹⁷ that under the conditions of demand and supply prevailing in the period 1904-13 the increase in the United States price of sugar due to the tariff was approximately 86 percent of the duty. If the duties as of 1931-32, above, are taken to be 80 percent effective on the difference between world price and the average of duty-paid domestic prices, the removal of the duties would have meant a consumption larger by 1,400,000 short tons. But this does not allow for the presumably higher elasticity of production and lower elasticity of demand in countries other than the United States. If these were so great as to warrant cutting the foregoing estimate in half, it would still amount to 700,000 short tons.

3. *Effects on world stocks and prices.*—Up to this point quantitative estimates have been derived, within broad limits of error, for the effect of government intervention on the world production of sugar and on the world consumption of sugar. It has been estimated that without the stimulus of government intervention the amount by which world production would have been smaller in 1931-32 is in the neighborhood of 3,500,000 or 4,000,000 short tons. It has been estimated also that without the deterring effect of intervention on consumption the world takings of sugar in 1931-32 would have been greater by about 700,000 short tons. The sum of the two quantities involved gives an estimate of between 4,200,000 and 4,700,000 short tons as the total surplus of sugar attributable in 1931-32 to government intervention—roughly, let us say, between 4,000,000 and 5,000,000. The 1931-32 surplus, instead of being in the neighborhood of 8,400,000 short tons, would have been between 3,500,000 and 4,500,000 short tons.

If stocks today were between 3,500,000 and 4,500,000 tons, they would be even smaller than they were during the period from 1925-26 to 1927-28. The year 1925-26 was almost at the beginning of the sharp increase in stocks to the present level of about 8,400,000 tons. If the increase in stocks had not occurred, the world price of sugar today would be somewhere in the neighborhood of what it then was,

¹⁷ Schultz, H. C., *Statistical Laws of Demand and Supply* (1928), p. 204.

minus an allowance for the decline in the general price level. During the years 1925-26 to 1927-28, inclusive, the New York price, exclusive of the duty, averaged 2.8 cents a pound. In 1931-32, September to August, it averaged 1.3 cents a pound. This represents a decline of 1.5 cents. Meanwhile, however, the general price level fell by about 31 percent. Allowing for this factor it may be estimated that the total effect of intervention upon the New York price was in the neighborhood of 1 cent a pound.

EFFECTS OF INTERNATIONAL SUGAR AGREEMENT OF 1931

The period since 1931 presents a more involved situation from the standpoint of intervention owing to the dual character of the intervention that has subsequently prevailed. Since the adoption of the International Sugar Agreement in May 1931, both restrictive and stimulative measures have coexisted throughout the world, each tending to affect the world sugar situation along with other factors quite outside the realm of government intervention. To measure with precision the effects of these various factors is not possible, but there is enough evidence to suggest that the international agreement has had some effect in reducing world stocks.

Since 1931 world production and carry-over in the countries belonging to the International Sugar Agreement have declined. Production in these countries fell from an average of over 13,000,000 short tons for 1928-29 and 1929-30 to less than 10,000,000 in 1931-32. From September 1931 to September 1932 carry-over fell by about one tenth. The declines of production and carry-over are not, of course, necessarily the result solely of the agreement. In part they were probably due also to the low and declining world price of sugar. This is suggested by the fact that in some of the participating countries, notably Germany, production and exports fell by more than the amounts stipulated in the agreement. Yet the effect of the agreement on production and exports in the member countries has undoubtedly been marked.

To a very important extent, however, the improved statistical position of sugar in the agreement countries has been offset by developments outside them. In the nonagreement countries production increased from an average of about 17,300,000 short tons in 1928-29 and 1929-30 to over 19,500,000 tons in 1931-32. This represents an increase of some 2,200,000 tons as contrasted with a decline of something over 3,000,000 tons in the agreement countries. Since the annual average world price did not actually rise in 1931-32 the increased production in the nonagreement countries can hardly be attributed directly to the price effects of restriction in the agreement countries, except insofar as any slackening of the decline in sugar prices relatively to those of competing crops may have tended to encourage a shift to sugar production. But the increased production in nonagreement countries was undoubtedly due in large part to trade barriers and other aids which greatly increased after 1929, and this increased production did have the effect of partly offsetting the results of restriction in the agreement countries.

APPENDIX

**AGRICULTURAL PRICE-SUPPORTING MEASURES
IN FOREIGN COUNTRIES**

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AGRICULTURAL PRICE-SUPPORTING MEASURES IN FOREIGN COUNTRIES¹

ARGENTINA

Price-maintenance measures have not been a particularly prominent feature of government intervention in behalf of agriculture in Argentina. Insofar as the Government has been active in the direction of agrarian relief, much of its activity has been on the side of measures designed to reduce production or marketing costs rather than of measures intended immediately to affect the relation of supply and demand in such a way as to raise prices. There has been some activity, however, of the type more immediately related to price maintenance, and this has recently tended to increase. Most significant in this connection have been the tariff and other restrictions imposed on imports and restriction of the production of sugar. Other measures tending to enhance farm income include regulation of the grain exchanges, the reduction of freight rates, the reduction of land rentals, special loans to the producers of cereals, and participation in the planning and financing of grain-elevator construction. Some of these latter will be discussed herein as well as the strictly price-maintenance measures.

1. *Tariffs*.—Since Argentina is predominantly an agricultural country and since the great bulk of her agricultural production is definitely on an export basis, tariffs and other measures restricting imports manifestly can have but little effect insofar as the maintenance of internal prices is concerned. For example, corn, wheat, linseed, beef, hides, and wool, which are commodities of the first importance, are not in a position to benefit by increases in the tariff rates. On the other hand, a number of products of minor importance in Argentine agriculture are on an import basis and thus are in a position where supplies may be affected and internal prices enhanced by import restrictions. Agricultural products on an import basis include rice, yerba maté, coffee, tobacco, eggs, olive oil, and certain dried and fresh fruits. Practically all of the coffee and olive-oil requirements are imported; of the other items listed she produces more or less within her own borders. Some of the duties on agricultural commodities imported into Argentina are given in the following table. It should be noted that practically all articles in the Argentine tariff, whether dutiable at specific or at ad valorem rates, are subject also to surtaxes. The amount of a surtax is stated usually as a percentage of the official valuation.²

During the past 2 years Argentina has increased her tariff rates on agricultural (and other) products with a view to protection both of domestic industries and of the Argentine currency. On February 23, 1931, duties on oats, wheat and corn flours, rye, beans, peas, lentils, dried vegetables, onions, nuts, honey, rice, cheese, edible oils, and certain fresh fruits became effective. On August 31 a large number of products hitherto on the free list were made dutiable and fixed valuations were established for them. Apples, pears, livestock, hides and skins, beverages, and certain foodstuffs were affected. On September 21 a general upward revision of rates affecting about 400 articles, including some agricultural products, went into effect. On October 9, 1931, an additional ad valorem import duty of 10 percent was levied on all goods imported, to be effective for a year. But before the year came to an end the provisional surtax was extended, to continue in effect for another 2 years. It was further provided that during the last 15 months the surtax was to be reduced gradually until brought to an end in December 1934.

¹ 38 countries are included in this appendix. Among those not included are Soviet Russia and the Irish Free State. For an account of the measures and policies of Soviet Russia, see ch. VII. In the Irish Free State the recent changes have been so numerous that it has not been feasible to digest them for inclusion herein.

² In Argentina as in some other Latin American countries the official valuation system is applied. The method consists in levying ad valorem duties and then assigning official values to the commodity affected.

Argentina: Import duties on certain imported agricultural products as of March 1933

Product	Rates in foreign currency		United States currency
	Import duty ¹	Official valuation ¹	Duty including surtaxes ²
	<i>Gold peso per kilo</i>	<i>Gold peso per kilo</i>	<i>Dollars per 100 pounds</i>
Rice:			
Hulled.....	0.050	0.08	1.68
Unhulled.....	.250	.02	6.71
Leaf tobacco:			
Havana.....	1.000	1.600	33.68
Paraguayan.....	.150	.128	4.55
Other.....	.375	.640	12.81
Apples.....	(³)	.150	1.67
Oranges.....	(⁴)		(⁴)
Eggs.....	(⁴)		(⁴)
Yerba maté:			
Processed.....	.05000	.192	2.19
Not processed.....	.01875	5.160	1.00
Sugar:			
96° and up.....	6.07000	.128	⁷ 3.21
Less than 96°.....	6.05000	.096	⁷ 2.54

Compiled from information furnished by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce.

¹ In addition to the duty, surtaxes totaling 17 percent of the official valuation are imposed.

² Conversion to United States currency made on the basis of average exchange for March 1933, peso=\$0.5837.

³ 25 percent ad valorem.

⁴ Free.

⁵ The surtaxes on official valuation in this case total 12 percent.

⁶ Plus additional duty or surtax fixed at 0.0296 gold peso per kilo for the month of February 1933. This duty is established monthly by the National Sugar Commission.

⁷ Includes additional duty established for February 1933.

On February 27, 1931, a presidential decree (dated Feb. 6) providing for a sliding scale duty on sugar was published. Each month the duties on sugars are fixed so that the price for imported refined sugar in the Argentine market after clearing through customs shall be at least 11 centavos gold per kilo (4.8 cents a pound at par). Before the 10th day of each month the National Sugar Commission determines the minimum price of foreign offerings, c.i.f. Then it computes the amount of additional duty so that the sum of the additional duty, plus the previously ascertained minimum price of foreign sugar, plus the expenses of clearing the sugar through customs, amounts to 11 centavos gold per kilo (4.8 cents a pound). On refined sugar an additional duty of the same amount is applied. The application of the additional duty will be temporarily suspended whenever the Sugar Commission finds that the net price received for sugar by the local refineries in the Buenos Aires market exceeds 41 centavos paper per kilo (7.9 cents a pound). In case of suspension of the duty under the above circumstances an additional duty of 4 centavos gold per kilo (1.1 cent a pound) shall be imposed provisionally.

In addition to the regular restrictions on imports, a special provision against dumping of foreign products on the Argentine market went into effect in the latter part of 1931. The decree, dated August 8, 1931, provided that the executive power could apply new or higher duties temporarily under any of the following conditions: (a) When a foreign country concedes subsidies, special rewards, or other advantages to products destined for exportation; (b) when subventions, special rewards, exemptions, or other advantages are accorded for transport of foreign products or to persons engaged in shipping; (c) when competition of foreign products, favored by special circumstances, such as legislation, rate of exchange, low wages, forced labor, or any other form of "dumping" is harmful to Argentine production. The new duties applied in such cases remain in force as long as maintained by the executive power, until such times as confirmed, reduced, or suppressed by the National Congress. The changes are to be proposed by the Minister of Agriculture.

Under article 76 of the Argentine tariff law the executive power already had the authority to increase the Argentine duty rates by one half and to establish a duty of 15 percent on duty-free goods coming from countries which do not apply their minimum tariff to Argentine goods, which increase the charges on imports from Argentina, which place charges on Argentine goods otherwise duty-free, which exceptionally lower the duties on goods from other countries, or which by restrictive measures place impediments on the importations of Argentine fruit or products.

2. *Direct restriction of imports on economic or sanitary grounds.*—Argentina imposes a partial embargo on imports of yerba maté, and for a time had seasonal embargoes on imports of fresh fruits. She maintains year-round sanitary restrictions on imports of apples and some other products.

Yerba maté, which occupies an important place as a beverage in Argentina, has heretofore been chiefly imported, mainly from Brazil. In order to encourage the domestic yerba maté industry, the Argentine Government prohibited the importation of yerba maté after January 15, 1931. The prohibition was modified to permit the entry of 60,000 tons a year at the rate of 5,000 tons a month, all but 500 tons of this monthly import allowance being distributed among certain importing houses according to a quota plan.

Seasonal embargoes were used until recently by Argentina to assist the domestic fruit industry, the idea being to keep out competitive imports during the time when the home products were being marketed. From March 9, 1931, until April 8, 1932, fresh fruits were permitted entry only during the time specified in the following schedule: Oranges, from October 1 to June 30; mandarins, from October 1 to April 30; lemons, from November 1 to February 15; cherries, February 15 to October 31; plums, March 1 to November 15; apples and pears, May 1 to December 15; quinces, June 1 to December 31; peaches and nectarines, April 1 to November 15; grapes, July 1 to November 30; cherimoyers, October 1 to March 31; melons, June 1 to September 30; and watermelons, April 30 to October 31. A government decree of April 8, 1932, removed these seasonal restrictions.

Various sanitary restrictions are maintained by Argentina on a number of agricultural products. Like other restrictions on trade, these have an economic effect. Of particular economic significance for American producers is the decree of July 1, 1931, restricting the importation of apples and certain other fresh fruits. The fresh fruits for which the restrictions were established are apples, pears, peaches, nectarines, oranges, mandarins, lemons, cherries, plums, grapes, quinces, and melons. Since the interest of American growers and shippers relates mainly to apples, the following summary covers that fruit only.

Under the decree of July 1931, apples could be imported into Argentina only from May 1 to December 15 of each year; and, moreover, certain requirements had to be met before entry would be permitted. The fruit was required to be packed for shipment in the containers of standard types adopted by the exporting country and each apple had to be wrapped in specially prepared paper stamped with the name of the grower or packer and the country of origin. Both the seasonal requirement and the wrapping provision have since been removed. The container in which the apples are packed must bear an indication of the contents, variety, number of apples, name and address of the producer or packer, and the country of origin.

The decree also provided that all shipments of apples to Argentina must be made under refrigeration and must be accompanied by a sanitary certificate issued by the official technical authorities in the country of origin. The certificate must show that the fruit is free from parasites and must give the variety, region where grown (locality and state), point of embarkation, name of ship carrying the fruit, name of consignee or representative of shipper at port of destination, and the date of issue of the certificate. The certificate must be visaed by the Argentine consul at the port of shipment or by the one at the nearest port.

The decree also provided that the fruit could not be imported through any ports other than Buenos Aires and Rosario until the government had been able to establish a quarantine service at other ports. All shipments are subject to inspection upon arrival in Argentina. If there is any reason to suspect the presence of parasites, the shipment may be placed in quarantine for such time as the sanitary officer may consider necessary.

If no parasites are found, the fruit is released for entry. If blotch, canker, brown rot, soft rot, Mediterranean fruit fly, apple curculio, apple fruit miner,

apple maggot, and apple weevil are found, the whole shipment must be incinerated without indemnification and at the expense of the importer. Apples attacked by other injurious parasites not mentioned above are refused entry but will not be incinerated in the event that they are immediately reshipped.

American apple exports to Argentina were greatly reduced by these sanitary regulations. The compulsory wrapping requirement practically shut out barreled apples from the Argentine market during the 1931-32 season. This was because barreled apples are not usually wrapped, and those that were shipped had to be especially packed for that market. Both barreled and boxed apple exports declined because of the short shipping season and the strict inspection requirements. Closing the season on December 15 cut about 2 to 3 months off of the normal shipping season, since the last shipments had to leave the United States about November 15 to reach Argentina before the closing date. The strict inspection which the fruit had to stand also made exporting rather risky, since some of the prohibited diseases could develop in the fruit during transit.

Total exports of apples from the United States to Argentina in 1931-32 were only 192,000 bushels compared with 728,000 bushels in 1930-31. Only 8,100 barrels were exported as contrasted with 157,000 in the earlier season. Exports of boxed apples were 167,000 as compared with 257,000 boxes in 1930-31.

Other sanitary regulations provide that fruits and vegetables in general must be accompanied by a phytosanitary certificate issued by authorized technical officials of the country of origin and visaed by the Argentine consul. Sugar must be accompanied by a similar certificate, and, if permitted entry, is first quarantined for observation. Plants and seeds entering the country are likewise subjected on importation to routine inspection. Restrictions are placed on the importation of forage seeds in general and on the seeds of plants which may be attacked by the European corn borer. The importation of the following is prohibited: Alfalfa seeds (with some exceptions), bamboo plants, corn (both grain and plant), bananas, and plantains.

3. *Restriction of sugar production.*—Late in 1928 the Province of Tucuman, which produces about 80 percent of Argentina's sugar, enacted a law limiting the output of each mill to 70 percent of its 1926 production and imposing a prohibitive tax on excess output sold in the domestic market, sugar sold for export being exempt from the tax. Sugar ground from the cane of small independent growers (those producing less than 250 furrows of 100 meters length each) was also exempted. On sugar sold in the domestic market a small tax was imposed for the purpose of defraying the costs of administration.

Concurrent with this enactment the Argentine Government set up a National Sugar Commission to coordinate the activities of all sugar interests in the country. About 2 years later (February 1931) this body was given a price-controlling function, enhancing its importance. A Federal decree of February 1931 directed the Commission each month to so adjust the import duty (see tariffs above) on sugar as to keep the price of imported refined sugar, laid down in the Argentine market, between 11 centavos gold per kilo (4.8 cents a pound at par) and 41 centavos paper (7.9 cents a pound). In May 1931, under the auspices of the National Sugar Commission, an agreement was reached whereby the Province of Tucuman limited the production of sugar in the crop year 1931-32 to 278,000 metric tons, while the Provinces of Salta and Jujuy limited their output to a total of 90,000 metric tons. The distribution of sugar was placed in the hands of the Sugar Producers' Chamber of Commerce; a committee of the producers was to assign grinding quotas to the several mills, the volume of production being made subject to the issuance of grinding permits. In December 1931 it was reported that the refiners of Tucuman had agreed to dispose of 103,000 metric tons of surplus sugar within the 3 years and to reduce their output by 34,000 tons each year (or 102,000 tons for the 3 years). Salta and Jujuy agreed to corresponding reductions. The total reduction, according to reports early in 1932, was to amount to 124,000 tons.

4. *Supervision of the grain exchanges.*—One of the outstanding recent developments in agrarian relief in Argentina has been the adoption of measures regulating the grain exchanges. The measures adopted are not, strictly speaking, price-maintenance measures in the sense that they immediately affect the relation of supply and demand. They are, however, measures designed to reduce the spread between prices in the primary markets and farm prices, and in this sense are price-maintenance measures. Because of this fact, and also because of the prominence that has recently been given to them in connection with Argen-

tine efforts at agrarian relief, some account of the grain exchanges legislation seems called for in the present connection.

On January 26, 1932, by special resolution of the Minister of Agriculture, the grain-futures markets in Argentina were put under the supervision of the Bureau of Rural Economy and Statistics. A special committee undertook an investigation of what are known as the "price-to-be-fixed" operations and submitted a report in March. On March 17 the Government issued two decrees for taking over control of the operations of the grain-futures markets on a permanent basis, the decrees becoming effective in part on April 1 and in remaining part on April 15. They appear to have been designed primarily to insure that free competition should reign at the country's two great grain-trading centers in Buenos Aires and Rosario.

The preamble to these decrees points out that "in both the grain-futures markets already mentioned only 400 and 200 nominal shares have been issued, of 15,000 pesos each, each member being allowed to possess two or five, which by reason of their scarcity in this market and by the high value they have attained has reduced the group of operators to a limited number of people and does not allow that genuine producers, either individually or in cooperatives, or persons or firms which are interested, either by their profession or commercially or industrially, in the grain or linseed market should form part of it." The "limited number of people" referred to in this paragraph is a consequence of the rule observed by the grain exchange, extending the privilege of trading only to the regular stockholders in the exchange.

One of the decrees removes these limitations and at the same time requires complete publicity of the details of all transactions. The other decree provides safeguards for the "price-to-be-fixed" contracts frequently entered into by Argentine farmers, and provides that the Government must be represented on the committees of the exchanges which determine the "fixation prices" received by farmers under the "price-to-be-fixed" contracts.

The methods of sale with which this legislation deals are peculiar to Argentina, where the inadequacy of storage and credit facilities at the farm and at country points necessitates immediate movement of crops to the central markets during harvest time. Very frequently sale is not fully consummated at the time when grain changes hands. Sale by the grower may be either "outright" (so called) or under a "price-to-be-fixed" contract. Under the so-called "outright" method of sale the farmer at once receives about 95 per cent of the nominal price at the country shipping point at the time of sale. Later on, after standards for the season have been set (by a committee of the grain exchange) and the grade of the individual farmer's grain has been determined, the grower receives the remainder subject to adjustment for grade.

Under the price-to-be-fixed method of sale, the farmer receives a large advance, usually amounting to about three fourths of the value of the grain sold. The contract of sale is generally for a period of 30 days and renewable at the grower's option. The price is not fixed at the time of delivery, but it is agreed that the price shall be in accord with current "fixation" prices at the time when the sale is finally concluded and that the farmer shall set the day of the final sale. This the farmer must do before 11 o'clock on the morning of the day that he chooses. At 4 o'clock each afternoon a committee of each grain exchange meets and sets the "fixation" price for the day.

It is particularly with the method by which these "fixation" prices are determined that the agricultural interests have quarreled. The fixation price for a given date is an average of the sales made on the floor of the exchange during the day. Prices paid by the exporters naturally are a dominant influence in determining the prices on the floor of the exchange. Because a very few exporters handle the great bulk of the Argentine surplus and the current price of grain is often fixed after the grain itself has passed into their hands, it is contended that the grain exchanges of Buenos Aires and Rosario were being influenced to the disadvantage of the grower.

With particular reference to wheat it must also be noted that the adjustment of the spread between export prices and fixation prices is more or less an arbitrary matter inasmuch as Argentina has no official grading of grain and no official weighing or inspection. Although several types of wheat have been evolved for export grading, there is but one classification for wheat moving in the internal trade of Argentina, namely, f.a.q., or fair average quality. Discounts are exacted for inferiority below f.a.q. but no premiums are paid for superior quality. The standards of quality are made up in Buenos Aires and

Rosario in February and March of each year from samples supplied daily by the exporters from the deliveries received by them. As will be seen below, supervision over the processes of sampling and standard fixing are provided in the second of the recent decrees relative to the grain exchanges.

The situation was summarized in the preamble to the decrees, in setting forth their purpose, as follows: "In virtue of the prevailing method with regard to sale contracts (i.e. sales at prices to be fixed at a further date), buyers are in a privileged position and sellers lack even the smallest legitimate guaranty, or, in general, feel prompted to speculate with regard to terms for the fixing of prices. At present, on liquidating the contract, it is customary to decide on the price according to that which is paid on that date by two or three exporting firms, without excluding the buying firm, and it is urgent to create guaranties which may place both the buyers and the sellers in a position of equality through the establishment of official prices fixed by organizations having the status of an association and through the intervention of the Ministry of Agriculture."

Article 1 of the first decree issued on March 17 provided for increased competition on the grain exchanges by making persons who are not stockholders in the exchanges eligible for trading on them. This privilege had previously been limited by the exchanges to their own regular members, who were also stockholders in them. Now the privileges of the futures markets are open to all persons who are directly concerned with the production, marketing, and industrial utilization of grain, including farmers and farm cooperative organizations, grain shippers, and millers, subject to the posting of proper security for the faithful performance of their contracts.

Other important provisions of this decree were directed toward making public the transactions of the grain exchanges. The Ministry of Agriculture through the Bureau of Rural Economy and Statistics exercises permanent supervision over all operations and over all telegrams officially sent or received by each grain futures market, except as regards the names of the individual operators, which may be investigated only under express authority of the Minister of Agriculture. Persons using the exchanges must register with the Bureau of Rural Economy and Statistics. The futures markets must daily publish a summary of the day's transactions, specifying the amounts of grain offered, the amounts sold, and the respective prices and dates of delivery, such publication being subject to the censorship of the Ministry of Agriculture. Every merchant, broker, or society must also keep a record of all operations in a book of special form so that the records shall be available to the Ministry of Agriculture for comparison with those of the futures markets.

Another important requirement set forth in this decree besides that of publicity is the requirement that "Within 60 days from date the amount of the reserve funds at the disposal of the markets shall be destined, up to 80 percent, except that part that may have been invested in bonds of the public debt, to the increase of agricultural credits, through warrants on grain stored in barns, elevators, deposits, and sheds of any kind which offer the necessary security."

A minor provision of the first decree states that buyers who receive, in turn, orders of delivery, shall have either 5 or 10 days but no more, in which to make delivery, depending on whether the grain is in port or in the interior of the country. Quite possibly this leeway given to buyers may tend to encourage buying operations.

The second decree issued on March 17 is concerned with sale contracts, particularly of the "price-to-be-fixed" type. Article 3, which is the most important, sets forth that the grain exchanges of Buenos Aires and Rosario shall include an official representative and that in the committees which daily fix the so-called "official" prices on the exchanges there shall be a delegate named by the Ministry of Agriculture, whose powers shall be equal to those of the other members. The price to be observed in settling price-to-be-fixed contracts must be the daily price as fixed by one or the other of these two exchanges, as specified in the contract. Another important provision of the decree is that the seller may, under a price-to-be-fixed contract, request the fixing of price for either the whole or for just a part of the quantity of grain specified in the contract. In cases where prices are fixed for a part and the contract is to run for a month, to determine the price of the balance, the following procedure must be observed: During the 25 working days before the expiration of the contract, price shall automatically be fixed, each day, of one twenty-fifth part, although on any of those days the whole balance may be fixed.

In other parts of the decree various safeguards are set up to prevent fraud. Buyers of grain must within 5 days of their purchase send a copy of the sale contract to the office of rural economy and statistics to be placed on file. When the grain is delivered a sample of the grain sealed and signed by both parties and a copy of its analysis describing the quality, test weight, etc., must be sent to the above office.

5. *Other relief measures.*—During 1931 the government induced the railroads to lower the freight rates on corn moving from the interior to the seaboard, for the marketing season only. It likewise endeavored to bring about a reduction of rentals; it fostered a large program of construction of grain elevators; it sponsored an aggressive campaign to increase the domestic consumption of corn; and it engaged in other activities to lighten the burden of the crisis, including the granting of special loans to cereal producers.

In connection with this last item the following measure was adopted by the Bank of the Nation, which is a government institution, on December 14, 1931. The managers of the bank's interior branches were authorized to grant special loans to farmers on wheat, linseed, barley, oats, and rye of the current harvest. The loans are to be granted according to a stipulated price basis for the individual grains stored at the ports, at the railway stations or on the farm, and will apply to grain either in bags or in bulk. So far as this loan concerns wheat, the basis established is considerably more than that fixed in previous years, being equal to approximately 75 percent of the value of wheat on the basis of current market quotations. Repayment of a loan may be made within a period up to 150 days from the day it is granted. The rate of interest has been fixed at 6½ percent. The board of directors of the Bank of the Nation pointed out that they had adopted this means of providing aid for the handling of the farmers' crops in order that the movement to market could proceed in an orderly manner and in order that producers could count on having the funds necessary for the settlement of their more pressing debts. The board desired further that these loans should be widely diffused throughout the country so as to benefit as large a number of farmers and grain merchants as possible.

Of more permanent significance in the field of orderly marketing was the program for the construction of a nation-wide system of grain elevators in which the Government played an important role. The Government participated in framing the plans for a chain of 130 elevators to be constructed by the Association of Argentine Cooperatives at strategic points in the grain-raising districts of Argentina. The formation of a special corporation, the Rural Development Corporation of America, to promote the project was approved by the provincial Government on July 18, 1931. Subsequently, on November 7, 1931, a contract for the construction of elevators was entered into by the Government, the Association of Argentine Cooperatives, and the Rural Development Corporation. Subject to the approval of the Ministry of Finance and in accordance with the plans and estimates of the Ministry of Public Works, the corporation was to be permitted to issue debenture bonds up to the whole cost of the work projected. Ten percent of the debentures was to be retained by the Ministry of Public Works as a guarantee of satisfactory construction, to be returned to the corporation after the elevator had functioned for a year without inherent defect. To insure that the properties would be owned by the farmers' cooperatives, the Bank of the Nation was to handle the financial arrangements under a special plan of amortization. The Bank of the Nation extended increasing amounts of financial aid to the cooperatives, mainly in connection with construction of elevators. Credits extended in 1931, amounting to about \$2,000,000, were about a third greater than in 1930. The government ended its participation in the program of elevator construction early in 1932, when it withdrew from the contract of November 1931.

AUSTRALIA

In Australia government intervention in support of prices of agricultural products has been noteworthy, especially on the side of cooperative marketing. Both the Commonwealth and the state governments have been active. Among their activities may be mentioned: Restriction of imports; support of producer-controlled marketing organizations, some of which manage the exportation of Australian products on a national scale and some of which operate on a restricted basis; the support and even conduct of State monopolies in some

farm products; the payment of production bounties; and the securing of preferential entry for Australian farm products into overseas markets by means of reciprocal tariff agreements.

In but one instance does there appear to be a straight export bounty, paid by the Government, on any agricultural product or its immediate derivative. This is in connection with the premium on exports of sweet wines. Originally the premium amounted to 1s. 9d. a gallon (43 cents at par), but this was reduced 20 percent after the passage of the financial emergency act. But in other ways the Commonwealth and state governments are involved in activities calculated to aid exportation; and in one important instance, namely butter, a system is in operation, with the tacit support of the Government, whereby the producers assess themselves in connection with a price-supporting scheme which involves payment of what amounts to a private export bounty.

1. *Restriction of imports.*—Australia is predominantly an agricultural country, about three fifths of the value of her total production and about three fifths also of her exports being agricultural. Among her agricultural exports some of the most important are wool, wheat, meats, butter, and raisins. On the other hand, she imports greater or less quantities of some agricultural products, including not only coffee, of which she grows an insignificant quantity, but also certain commodities of which she produces important amounts. Among native-grown products which are also imported, tobacco, hops, onions, and bananas are of consequence.

Consider first the export group. On all of the leading items in this group customs or other import charges are imposed. Wool is permitted entry duty-free, but in common with other imports is assessed a primage duty of 10 percent ad valorem plus a sales tax of 6 percent, the latter being based on the duty-paid selling value. Wheat pays 2s. per 100 pounds (29.2 cents a bushel at par). On cold-processed meats, both beef and mutton, the duty is 3d. (6 cents) per pound; on fresh or smoked meats 2½d. (5 cents) per pound. The duty on butter amounts to 7d. (14 cents) per pound. Imports of raisins were prohibited in April 1930; nominally, the duty would be 6d. (12 cents) a pound. Conversions of the Australian rates to United States currency, as given above, are on the basis of par exchange. At the present time, however (May 1933), Australian exchange is about 36 percent below par.

Even if the foregoing import duties on products of which Australia produces an exportable surplus were purely nominal, they would be significant to the extent that they indicate the protectionist intent of the law. As a matter of fact, however, some of the duties in this category are not purely nominal. In connection with some of these export products the tariff is a part of a more comprehensive system of trade control by which domestic prices are maintained above the export price level. In the case of butter, the tariff plays a part in the Paterson plan (see below) by which domestic prices are maintained above export prices. Cotton, which is on an export basis in some years, is sheltered by a tariff while the Queensland State government purchases the entire crop at a fixed price. A complete prohibition on imports of sugar shelters a governmental monopoly in that export product. The duties on wheat and wheat flour help to maintain local prices in Queensland and Tasmania, notwithstanding that Australia as a whole is on an export basis for these products. The internal trade restrictions and regulations with which these tariff and other import restrictions are associated, will be discussed below under other headings.

In the import group the most important item is tobacco, although hops, onions, and bananas are of some significance. On tobacco the rates are as follows, per pound: Unmanufactured tobacco, to be locally manufactured into cigarettes, 5s. 8d. and 5s. 2d. (\$1.38 and \$1.26), respectively, for stemmed and unstemmed; into cigars, 3s. and 2s. 6d. (73 and 61 cents); and into other types of tobacco products, 3s. 6d. and 3s. (85 and 73 cents). On hops the rates are 1s. (24 cents) per pound under the general tariff and 6d. (12 cents) per pound under the empire preference. On onions the rate is £8 (\$38.93) per ton to all countries; and on bananas 1d. (2 cents) per pound. To most of these charges must be added a primage duty of 10 percent ad valorem and a sales tax of 6 percent. The most important remaining item in this group, namely coffee, pays a duty of 4d. (8 cents) per pound (raw) or 7d. (14 cents) per pound (roasted). To allow for present (May 1933) depreciation of Australian exchange, it would be necessary to reduce the foregoing duty equivalents, in United States currency, by about 36 percent.

The foregoing rates are in line with the general policy of protection in Australia. Until recently the tariff trend in Australia was upward. With a recent change of Government, however, there has been evidence of some tendency toward a moderation of tariff rates.

The Australian tariff schedule has been amended three times since April 1932, the first changes coming in May, the second in August-September, and the third in October 1932. In general these revisions have indicated a relaxing and final repeal of import prohibitions in force since April 1930, together with some reductions and some increases in duty rates.

Under the provisions of the May decrees the prohibitive import restrictions on glucose, corn flour and starch powder, vinegar, and acetic acid were removed and the import quota system previously applying to unfermented grape wine was rescinded. The duty was raised on almond kernels from 6 to 9 pence per pound. Effective August 31 the Australian Government ordered the repeal of the remaining import prohibitions temporarily imposed as part of an emergency measure on April 4, 1930. Foodstuffs affected by the lifting of these restrictions included cheese, lemons, oranges, certain dried and preserved fruits and vegetables, jams and jellies, pickles, and sauces. The primage duty which usually amounts to 10 percent ad valorem was also waived, effective September 2, 1932, on certain agricultural, horticultural, and viticultural machinery and implements, and parts.

On October 14, 1932, changes in 200 out of 434 items in the Australian tariff which were designed to increase the margin of preference enjoyed by products of the United Kingdom and in general to Canada and New Zealand in the Australian market, became provisionally operative. On about 400 of the 435 products or classes of goods involved in the 200 tariff items which were changed, the increased margin of preference to British products was accomplished primarily by means of increasing the existing general tariff duties (applies to other than British) by ad valorem rates with a very limited number of specific duties. The ad valorem rates ranged from $2\frac{1}{2}$ to 10 percent (mostly 5 percent), and in a few cases from $12\frac{1}{2}$ to $17\frac{1}{2}$ percent. Some of the general agricultural items which were changed included:

(1) Foodstuffs:

(a) Increased by 5 percent ad valorem: Alcoholic essences, fruit juices, flavorings, and sirups, and some grocery items.

(b) Increased by 10 percent ad valorem: Confectionery; potted or concentrated meats, including extracts and meat jellies; preparations in dry form for making soup.

(c) Whole coconuts 1 shilling per hundredweight; cocoa butter and substitutes one half pence per pound.

(2) Tobacco and tobacco products:

(a) Specific duty increases: Cut tobacco (not elsewhere indicated) and manufactured tobacco (not elsewhere indicated), 1 shilling per pound; cigarettes and fine-cut tobacco for making cigarettes, 2 shillings per pound.

(b) Specific duty decreases: Unmanufactured tobacco for manufacture into cigars, 6 pence per pound; cigars, 2 shillings per pound.

In addition to tariff rates proper, reference should be made to Australian antidumping legislation. A law of 1921 provides that, after investigation and report by the tariff board to the effect that the importation of certain goods is detrimental to an Australian industry, special duties are to be assessed. Such cases occur when goods are sold for export to Australia at a price less than the fair market price for home consumption, or even at a price considered less than reasonable. Thereupon a special dumping duty is collected equal to the difference between the price at which the goods were sold and a fair market price. When goods are exported to Australia at freight rates less than those prevailing, a dumping duty amounting to 5 percent of the value of the goods at the time of shipment is assessed. Special duties are also provided for protection against depreciated foreign currencies.

A further restriction of imports results from the imposition of various sanitary prohibitions and restrictions. The entry of most of the important fruit trees, including the stone and deciduous types, from countries where certain diseases are present is forbidden. The importation of citrus fruits as well as plants coming from any country where citrus canker is known to exist is prohibited. Sugarcane, bananas, and potatoes must be inspected and certified as to freedom from disease before being permitted to enter. Cottonseed and raw cotton can be landed only at certain ports where they must undergo rigorous examination before being certified for entry. In addition to

national restrictions, there are others imposed by the various States tending to limit imports.

2. *Government support of cooperative marketing.*—Much of the government aid to agriculture in Australia has been concerned with helping the farmer to help himself through the medium of cooperative organization in marketing. Marketing pools are formed dealing, as a rule, in but one commodity or in a closely allied group of commodities. Both compulsory and voluntary pooling prevail. Under the compulsory system every producer is obliged to dispose of all or part of his output of a given commodity through the cooperative. Under the voluntary system, the producer may dispose of his output through the pool or not, as he sees fit. Most of the compulsory pools of Australia have been created by legislation which provides that marketing through a central organization shall be obligatory upon all of the producers when a majority of them so decide by ballot. The compulsory pools set up have usually been in the form of control boards. These differ from the familiar producer-controlled cooperative in that the Government, either State or Federal, is directly represented and plays an important part in their conduct. Government support has also been extended to voluntary pools, mostly in the shape of Federal aid but also in the shape of informal State aid. The aid given by the Commonwealth and State Governments to compulsory pooling is here discussed under headings (a) and (b), respectively; that given to voluntary pools, under (c) and (d), respectively.

(a) *Federal Government support of compulsory pooling boards.*—In accordance with the wishes of the producers, as expressed by a majority vote, two laws, one creating an export control board for dried vine fruits (raisins) and the other creating one for canned fruits, have gone into effect in Australia. The avowed purpose of these boards is to coordinate exports without attempting to control the domestic market, although by promoting exports they may tend to raise domestic prices. Indeed it is stated unofficially that, under the shelter of the tariff, dried-fruit prices have been maintained in the domestic market higher than those received in the British market, whereas under free competition the opposite situation should have obtained. In connection with export control boards, in general, the Commonwealth Government assists materially in a financial way, particularly when a State board is newly organized. The Commonwealth also contributes materially to the advertising campaigns of the fruit producers, and the producers' organizations, on their side, maintain close touch with the Government in the matter of advertising.

The dried fruit export control board exercises a considerable measure of control over the export trade in dried grapes. It has a membership of 11, 8 of whom represent the growers. One member is a representative of the Government and two are commercial experts appointed by it. Growers, dealers, and packing sheds must register with the board. Contracts made by exporters must be submitted to the board's London agency for approval, particularly with respect to price, the object being to eliminate unnecessary competition. Provisional export quotas are fixed for each of the States and these serve to regulate the volume of export trade to some extent. The board also performs the important function of overseas publicity agent for the Australian dried-fruit trade. These activities serve to encourage cooperation among the producers. Such a board is also able to prevent the exportation of produce of inferior quality. Funds for the board's operation are derived from a small export tax amounting to one eighth of a penny a pound on dried fruits (one fourth of a cent at par), collected by the Commonwealth Government.

The legislation establishing the dried-fruits board is typical of this kind of Government support. The dried-fruits export control board was created by the dried-fruits export control act of 1924, which became effective in February 1925, after a majority of the growers of Australia had voted in favor of the control system. The act prohibited exports except by the board itself or under its license, and gave the board power to set up the London agency for the purpose of disposing of Australian dried fruits in London or elsewhere. Another act of 1924, known as the "export guarantee act", gave power to the Commonwealth treasurer to guarantee to the Commonwealth Bank or any other prescribed bank doing business in the Commonwealth the repayment of advances made to a board in connection with the financing of exports under the various acts. It stipulated that the amount so guaranteed must not exceed 80 percent of the produce upon which the advance is based.

In similar fashion the canned-fruits export control act of 1926 created a board of three "to control the export and the sale and distribu-

tion after export, of Australian canned fruits." Canned fruits may be exported only as the board determines. Contracts for the export of canned fruits are made only by the board acting as the agent, of the owners, or else in conformity with conditions approved by the board. The canned-fruits export control act, which established the board in 1926, was very much like the dried-fruits control act, and it, too, became effective only after the growers had expressed their approval at a poll. As will be seen below in connection with sugar, processed fruits benefit by a considerable rebate on the cost of the sugar content when they are exported, this rebate being granted in order to relieve the canners from any disadvantage in export arising from high domestic sugar prices.

(b) *State government support of compulsory pooling boards.*—Two States of Australia, Queensland and New South Wales, have enacted extensive legislation for compulsory pooling. Commodity control boards have been set up similar to those already described but on a smaller scale and covering a wider range of commodities. Although the Government support described below is mostly in the form of enabling legislation, support has been extended in other ways, much of it informally. Furthermore, some of the state-wide compulsory pools receiving State (and Federal) Government support have taken on monopoly aspects; these are treated below under the heading of "Monopolistic controls and price-fixing in the Australian States." Meanwhile a brief account of the compulsory pooling legislation in Queensland and New South Wales will be given.

Since the war Queensland has been the most active of the Australian states in the matter of pooling legislation. The first act of this nature was the wheat pool act of 1920, discussed below under section 3 on monopolistic controls. This wheat pool act was followed, in 1922, by the primary products pools act, which provides that the governor-in-council may, upon the recommendations of the council of agriculture or if requested so to do by a representative number of growers or by an organization representative of the growers, declare any grain, cereal, fruit, vegetable, or other product of the soil in Queensland or any dairy produce or article of commerce a "commodity" for the purposes of the act. Thereupon all the commodity is to be delivered to the board established to market it; with certain minor exceptions all sales except to the board are prohibited. Contracts for the sale of the commodity for delivery in or out of Queensland are void after publication of a notice to that effect in the Gazette; and there is the usual proviso excepting interstate contracts from the operation of the act. Under this act pools were set up for various periods of time in corn, eggs, butter, pigs, peanuts, canary seed, arrow-root, and cheese.

In the same year, the fruit marketing organization act was passed, establishing a committee of direction to take control of the marketing of fruit. According to the provisions of this new act, the primary products pools act could not be applied to fruit and no other organization for pooling fruit could be created.

In 1927 the State of New South Wales adopted the marketing of primary products act. By a majority vote of the producers of a particular primary product, that product may be brought under the act, whereupon a board is constituted to have jurisdiction over the marketing of the whole output of that product for the State or for specified areas. (Originally it took an affirmative vote of more than two thirds to constitute a majority, but this was amended in 1931 to read "more than one half of the producers"). Commodities excepted from the act are wool and dried fruits. Any board established under the act consists of not less than 5 members, 3 producers and 2 Government nominees, 1 of whom is the director of marketing and the other a consumers' representative.

Eggs, rice, and honey have been brought under the act but in August 1932 a plebiscite of the honey producers voted 527 to 147 in favor of abolishing the honey-marketing board, and that board consequently passed out of existence on August 24, 1932. The boards handled the following amounts of produce: Of eggs, about 14.5 million dozen during the year ended June 1931; of rice, some 27,000 tons during 1930; of honey, about 21,000 60-pound tins from the time of the constitution of the board in October 1930 to June 1931 (9 months).

Ballots were held at various times to bring wheat, butter, millet, and certain stone fruits under the act, but the requisite majorities were lacking. Since 1928, for example, four plebiscites of wheat growers in New South Wales have been taken in an effort to obtain the necessary majority favorable to bringing that product into a compulsory pool under a State marketing board, but all votes failed. In no cases, it is said, have the New South Wales or Common-

wealth Government ever advanced funds or guaranteed debts of the three New South Wales marketing boards noted above.

(c) *Federal government support (open or tacit) of voluntary pooling.*—Butter and wheat in Australia are marketed by voluntary cooperative organizations, the former almost entirely, the latter only in part. Both receive encouragement from the Federal Government.

What is known as the "Paterson plan" has been in effect in Australia with respect to butter since 1925. The Paterson plan involves the equalization-fee principle, lacking only the outright compulsion of the equalization fee. The cooperative and private corporate creameries, which dominate the dairy industry, have vested their control in a stabilization committee. An all-Australian price above world parity is set, and to this the creameries are expected to adhere. The creameries pay a small levy of a few cents a pound to the committee on their entire output. At first the levy amounted to 1d. (2 cents) a pound, but since 1928 it has amounted to 1¾d. (3.5 cents) a pound. The proceeds go into a fund out of which a bounty is paid on the exportation of butter from Australia. The higher domestic butter prices that are made possible by the removal of the surplus from the domestic market compensate the creameries for their disbursements. The bounty paid under the plan has varied considerably, having been given the following values: On January 1, 1926, 3d. (6 cents) a pound; on September 1, 1928, 4d. (8 cents); on January 1, 1929, 4½d. (9 cents); on January 1, 1931, 3½d. (7 cents); on April 1, 1931, 3d. (6 cents); on April 12, 1931, 2½d. (5 cents); and on April 2, 1932, 3d. (6 cents) a pound. The above conversions are made at par of exchange.

The sudden reduction in the amount of the bounty from 4½d. to 3½d. (9 cents to 7 cents) a pound in January 1931 is evidence of the difficulties encountered by the export subsidy. Under the stimulus of the bounty, the production of butter had increased considerably and concomitantly, exports had grown to such dimensions that the requirements of the bounty on exports had threatened to exceed the funds available from the levy on production. Continued heavy exports resulted in further reductions in the value of the bounty listed above, until very recently. Another difficulty encountered by the bounty on exports of butter was the imposition, or threatened imposition if shipments were received in quantity, of countervailing duties by Canada, France, and the United States on the Australian bounty-fed product.

Strictly speaking, the Paterson plan is a private, rather than a governmental, price-control scheme, adopted and administered by the butter industry independent of legislative enactment. However, it is to a considerable extent dependent upon the tacit support of the Government. In the first place, its very existence as an organization which diminishes competition in trade rests upon at least a tacit waiving of the antimonopoly legislation of Australia, for according to the law for the preservation of industries (1906, 1910) no contract or agreement may be made to restrain commerce and no (legal) person may monopolize commerce with foreign countries. In the second place, because of the near-by position of low-cost supplies of butter in New Zealand, the success of any scheme for keeping up the domestic price of butter in Australia depends on imports being severely restricted. The Australian Government provides the necessary restriction in the form of a high tariff. In April 1932 the duty was 7d. per pound (14 cents at par). This duty is still in effect. The necessity for restricting imports was demonstrated as early as 1926 when, according to unofficial sources, the scheme threatened to break down under a duty of only 3d. per pound and was restored to a firm position by the enactment of a higher duty.

The federal government also extends aid to two of Australia's three voluntary wheat pools. The Commonwealth Bank, which is essentially a Government institution, finances the Victorian Wheat-Growers Corporation and the South Australian wheat pools. (The finances of the cooperative wheat pool of western Australia are provided by the cooperative Wholesale Society of Great Britain.)

In New South Wales the Government itself has built and operated grain elevators for many years. The system at present consists of 105 country-point elevators with a capacity of 16,793,000 bushels and 1 terminal elevator at White Bay, Sydney, with a capacity of 6,750,000 bushels. This system of country and terminal elevators was erected at a cost of £4,040,000. They are operated in accordance with the wheat act of 1927. These elevators never buy or sell any wheat, their functions being considered those of storage and

service. They are said to have never paid their operating costs, let alone providing for the interest on the investment or a sinking fund.

(d) *State government support of voluntary pooling.*—The aid extended by State governments to voluntary pooling in Australia has been mostly of an informal sort. However, one example of formal support is to be found in Queensland. Legislative provision for the proper organization of voluntary pools was made in the Primary Producers Cooperative Association Act of 1923. Such an association, which must be registered under the act, may be established for the purpose inter alia of selling and disposing of the primary products of its members in the most profitable manner. Associations registered under the act may adopt without alteration certain model rules or they may amend the model rules subject to the requirement that certain particulars specified in the act itself must be included. The formation of such associations is encouraged by the imposition of various restrictions upon the activities of unregistered societies.

There appears to have been further activity by the Australian States in support of voluntary pooling, but information on further State aid in this field is lacking in detail.

3. *Monopolistic trade controls and price fixing in the Australian States.*—Perhaps the most positive method to which a government may resort for maintaining prices is some form of monopolistic control, with the government itself or some agency taking the bulk of the farmer's output and either paying a fixed price or guaranteeing a price to the producer. Commonwealth and State governments have cooperated in Australia in establishing controls over the trade in several agricultural products. These controls, while not actually monopolies, at least have monopolistic aspects. Sugar, cotton, wheat, and flour have been made the subjects of monopolistic controls.

(a) *Sugar monopoly—Queensland.*—The State of Queensland produces all of Australia's sugarcane except for a small quantity grown in New South Wales. According to an agreement with the Commonwealth government, dated April 25, 1929, the Queensland government is authorized to acquire 99 percent of the sugarcane produced in Queensland and all of the raw sugar manufactured in New South Wales. It sells all grades of sugar and cane products at prices which are the same in the main distributing centers of the Commonwealth. Prices are fixed at definite rates for different classes of purchasers, the manufacturers of fruit products destined for home consumption being given the lowest rate. To the manufacturers of fruit products that are exported, the Queensland government pays a rebate on the sugar content equal to the difference between the domestic price that it has charged them and the world parity price. Queensland further stands responsible for any loss arising from the exportation of surplus sugar. The Commonwealth government, on its side, prohibits the importation of sugar except as may be necessary to meet a shortage.

(b) *Cotton—Queensland.*—Queensland likewise is the source of practically all of the Australian-grown cotton. The Commonwealth Government pays a fixed price of 5d. (10 cents at par) a pound to growers for raw cotton, to continue in effect until 1935. This is apart from the bounty paid to the growers by the Commonwealth (see "Production bounties" below). The cotton board of Queensland is the agency through which the aid is administered. The board owns six gins and an oil mill, which are capable of handling the whole of the state's cotton output.

(c) *Wheat—Queensland.*—The amount of wheat produced in Queensland is just about enough for local consumption. This condition makes it possible for the State of Queensland to maintain what amounts to a guarantee of the price of wheat. The sole marketing agency is a compulsory pool organized on the basis of a state wheat board, consisting of five representatives of the growers with a chairman appointed by the government. The board disposes of about 90 percent of the total crop, all wheat not necessary for consumption on the farm being required by a wheat pool act of 1920 to be delivered to the board. The Commonwealth Bank provides the financial assistance, the state government guaranteeing the wheat board's account with the bank. Initial advances are made available to the growers upon the delivery of their wheat at country stations; the initial payments in the 1929-30 season varied from 2s. 3d. (55 cents at par) per bushel for feed wheat to 4s. (97 cents) per bushel for no. 1 milling wheat. Further advances are always provided for and wheat prices are guaranteed throughout the State.

(d) *Wheat flour—New South Wales.*—The New South Wales flour acquisition act in force since March 1931, is a legislative effort resulting in a tax on

flour locally consumed. The Commonwealth law forbids a direct tax on flour so under the provisions of the act the government acquires all flour for home consumption and sells it at a substantially higher price to retailers or consumers in New South Wales. At the inception of the act (March 1931) the government of New South Wales specified that flour for local use and retail should bear a profit of 55 shillings a ton and it was purchased at £7 5s. per ton (\$35.27 at par) and sold at £10 (\$48.66) a ton, a price which was 13.4 per cent higher than the purchase price. Growers are granted loans from the profits of the state government transaction. The above rate was maintained until December 30, 1931, when it was decided that the profit was more than loans to necessitous farmers demanded. Operative January 1, 1932, it was decided that only 30s. per ton profit on New South Wales consumption would be sufficient and since that date flour has been allowed to fluctuate with the market with millers required to remit to the state government the specified charge on all flour sold for local retail and consumption.

4. *Production bounties.*—The Commonwealth Government of Australia is paying cash bounties on the production of wheat, cotton, and flax. In the case of wheat the bounty is only for the 1931–32 crop and is perhaps more properly to be described as a bonus, since it applies to production already consummated, and is not offered over a period of years as inducement to produce more wheat.

(a) *Wheat.*—A bounty of 4½d. a bushel (9 cents at par and about 5 cents at current rates of exchange) was paid on all wheat marketed by growers during the 1931–32 season, which began in December 1931. The banks of Australia agreed to make available a loan of £3,000,000 (about \$14,600,000 at par) to cover the bounty. The Australian Minister of Agriculture estimated that the total quantity of wheat available for sale out of the 1931–32 crop would be about 160,000,000 bushels, an amount sufficient to absorb the loan to be advanced by the banks. The regulations required the grower and the receiver of the wheat to state on prescribed forms the quantity of wheat sold or delivered for sale. On the receipt of this information a check was sent to the grower by the department of markets.

The bounty of 4½ pence per bushel (9 cents at par and about 5 cents at rates of exchange then current) was paid only for wheat marketed during the 1931–32 season—December 1931 to November 1932. Legislative efforts to continue a similar bounty during 1932–33 were defeated in the Australian Parliament and in its place the so-called “Commonwealth financial relief act of 1932” was passed on December 5, 1932. In its final form, it carried a total appropriation for assistance to the farmers in the amount of £2,250,000. Of this total amount, £2,000,000 was to be distributed directly to the States on the basis of wheat distribution. The States were to redistribute to the farmers on such basis as they saw fit subject to the approval of certain Federal authorities, but the law specifically provided that none of this money should be made available to wheat farmers indiscriminately as a bounty on the basis of production.

The distribution of this £2,000,000 by States was announced as follows:

	<i>Sterling</i>
New South Wales-----	£570, 902
Victoria-----	442, 421
South Australia-----	507, 138
Western Australia-----	436, 145
Queensland-----	40, 744
Tasmania-----	2, 342
Federal Territory-----	308
Total-----	2, 000, 000

These moneys, according to the Prime Minister, were to be applied by the States for the benefit and assistance of wheat growers by: (a) reducing the cost of production of wheat (including the cost of transport and marketing); (b) by providing for the needs of individual wheat growers, but not upon the basis of wheat produced by individual wheat growers.

The Prime Minister repeatedly stated that this £2,000,000 made available to the States was not by any means to be considered a bounty on wheat production, but to be used in the assistance of those wheat farmers of Australia who were in the most necessitous circumstances. He did not outline how the degree of necessity is to be determined, but left the determination of that necessity to State officials.

The additional £250,000 (\$1,025,000) appropriated was for the assistance of primary producers in respect of the production of primary produce other than wheat. The law provides that this assistance will be a bounty at the rate of 15 shillings per ton (\$3.65 at par) for each complete ton of artificial manure used by primary producers in respect of the production of primary produce, other than wheat, during the 12 months ended November 30, 1933. Any amount due to the producers in any territory of the Commonwealth under this portion of the act would be paid direct by the Commonwealth, but any amounts due to residents of a State of the Commonwealth would be paid through the State governments. The Prime Minister specified that no claim for assistance under this portion of the act would be paid until satisfactory evidence was advanced to the Secretary of Commerce for the Commonwealth that the artificial manures so purchased were used during the specified period, and in the production of primary produce, other than wheat.

The act also provided for a reduction of one third in the land tax levy for the fiscal year beginning July 1, 1932, and in certain specified cases where its execution would seriously impair or entail serious hardship definite release from payment could be obtained. Among such cases were those where the taxpayer had become bankrupt or insolvent; where drought or other adverse seasonal conditions had greatly reduced his income; or where, due to the low price of farm products, the income derived during the year was less than the land tax assessed for that year.

(b) *Cotton*.—The Commonwealth Government has been paying a bounty on seed cotton and cotton yarn since 1926, and under the present law expects to continue the bounty at decreasing rates until 1936. Two bounty acts have been passed, the one known as the cotton bounty act of 1926 and the second, the cotton industries bounty act of 1930 which superseded the former legislation. Under the first act the bounty rates on seed cotton were fixed at 1½d. per pound (3 cents at par) for higher grades and 3 farthings per pound (1½ cents) for lower grades. These rates prevailed during the 5 years of the first act and the first year of the second act, or until September, 1932. During each succeeding year until 1936, however, the amount of the bounty on the higher grade seed cotton is reduced one-fourth pence (one half cent at par) per pound and on lower grade cotton the successive annual reductions amount to one eighth pence (one fourth cent) per pound. Thus, for the final year of the act now in force the bounty on the higher grades will be one half pence (1 cent) per pound and on lower grades one fourth pence (one half cent) per pound, both rates being but one third of the original rates. The bounty is also paid on lint cotton during the period of the 1930 bounty act according to a standard ratio of weight which lint bears to seed and which is to be prescribed seasonably by the Governor General.

The bounty rate for cotton yarn is dependent upon the count, the higher counts receiving corresponding higher bounty benefits. As in the case of seed cotton the payments from 1926 to 1932 were the same but during the four remaining years of the present act equal annual reductions are made in the schedule so that for the final year the bounty will also equal only one third of the original rates. The total amount of the bounty authorized for 1 year under the present act is £260,000. Under the first act the amount was £120,000 for seed cotton and £60,000 for cotton yarn.

(c) *Flax*.—The Commonwealth government is paying a bounty amounting to 15 percent of the cash selling value of flax and linseed to producers as an addition to the prices received, in accordance with the Flax and Linseed Bounties Act of 1930. This bounty will continue for 2 years, to be followed by one of 10 percent for 2 years, and by one of 7½ percent for 1 year. The grant, according to the act, will expire in 1935. The value of the bounty to be paid during any year may not exceed £20,000.

5. *Preferential tariff arrangements*.—Farmers in Australia have in the past 12 years secured an increasing amount of preference for many of their products in other markets in the British Commonwealth of Nations under the policy of imperial preference. Since the Commonwealth was established in 1901 Australia has always been definitely protectionist in her tariff policy. Since the enactment of the Tariff Act of 1908, however, Australia has consistently advocated the principle of imperial preference. The Tariff Act of 1908 provided preferential tariff rates in favor of goods produced or manufactured in the United Kingdom and these preferences have subsequently been greatly extended.

With the sole exception of Great Britain, however, Australia has never extended her preferences to other parts of the Empire without demanding preferences in exchange. At the present time Australia secures substantial preferences for many of her important agricultural exports in the markets of the mother country and Canada.

In the case of the mother country (see United Kingdom) Australian farmers since 1919 have enjoyed preferential tariff treatment on such agricultural exports as currants, raisins, dried and preserved fruits, sugar, and tobacco, and since 1925 on hops. These preferences have been instrumental, particularly in the case of dried fruits, in building up important export industries in Australia. In the case of Canada a trade agreement (see Canada), effective as of August 3, 1931, grants Australian exporters greatly reduced duties on such agricultural products as beef and veal, lamb and mutton, canned meats, eggs, cheese, butter, hops, rice, fresh apricots, pears, quinces, nectarines, grapes, oranges, dried apricots, peaches, pears, raisins, currants, canned fruits, peanuts, sugar, and wines. Australia has also negotiated a trade agreement with New Zealand by which exports of certain products from Australia are given the British preferential rates in that market in return for reciprocal arrangements for certain New Zealand products coming into Australia.

In 1906 Australia entered into a reciprocal agreement with South Africa by which Australian goods were granted the British preferential rates in the South African tariff on butter, fodder, wheat, flour, and meat, while Australia granted reduced rates of duty on South African timber, fruits, feathers, corn, wines, sugar, and tobacco. Australian exports to South Africa were considerably greater than South African exports to Australia and the agreement was allowed to lapse on July 1, 1926.

(a) *The Ottawa Conference.*—Australia was a party to only one imperial agreement at the Ottawa Conference. This agreement was with the United Kingdom and provided for protection and preference in the British market for the important additional export products of Australia such as wheat, beef, mutton, and fresh fruits. Currants, raisins, sugar, tobacco, and hops have enjoyed preferential treatment for some time. Wool, however, still remains on the free list in the United Kingdom. For a discussion of the Ottawa Conference agreements see chapter VII of the main report.

AUSTRIA

Price-influencing measures for agricultural products in Austria in recent years have taken the form chiefly of restrictions on imports, though direct financial aid to her farmers has also sometimes been granted.

The partition of the old Austro-Hungarian Empire in 1918 left Austria in a position of greatly increased dependence upon foreign sources for her necessary supplies of many foodstuffs and raw materials. Yet, notwithstanding this dependence, various circumstances have combined to bring about increasing import restrictions on agricultural, as well as on other, products. One important circumstance has been the high tariff and other import restrictions maintained by neighboring countries and the desire to be in a position to bargain effectively with them for more favorable treatment of Austrian exports of manufactured goods. Another has been monetary depreciation and the financial difficulties through which Austria has gone since the war.

Austria has sought to restrict imports by means both of tariffs and of licenses and quotas. In order to offset currency depreciation the nominal rates of duty after the war were supplemented from time to time by a customs surcharge. As depreciation advanced, this multiple for maintaining the gold parity of the Austrian crown was changed frequently. In addition, on February 15, 1923, a system of import licenses was adopted. This required special import licenses for a large number of products, including many foodstuffs. The licensing regime largely ceased after March 1, 1925, though continued for a time thereafter on tobacco and tobacco products, chocolate and substitutes therefor. (For certain manufactures, however, it has continued in effect up to the present time.) Further protection was accorded by a series of ordinances beginning on April 1, 1923, whereby an ad valorem turn-over tax was levied each time goods changed hands in the course of trade. This tax on imported goods was collected by the customs authorities as an addition to the import duty.

1. *Tariffs.*—On March 18, 1926, the Austrian Government was granted authority to amend the "general" rates of the tariff by decree whenever Austrian producers were seriously menaced by imports. Since that time there have been

several upward revisions of the "general" rates, partly for protection and partly with the object of strengthening the hands of the Austrian negotiators in securing for Austria reductions in the tariffs of neighboring countries. The latest revision of this character was made on July 28, 1931. Austria has negotiated special commercial treaties with Czechoslovakia, Hungary, Yugoslavia, Rumania, and other countries, by the terms of which Austria admits imports of specified farm products at reduced rates of duty contingent upon similar treatment for Austrian manufactures in the countries with whom she has concluded treaties. Such restrictions are, of course, a mitigation of Austria's "general" tariff rates. Nevertheless, the basic trend of her tariff rates on agricultural as well as on other products has been upward.

Most of the tariff increases in Austria in the past year and a half have grown out of the new commercial treaties between Austria on the one hand and Hungary, Yugoslavia, and Czechoslovakia on the other, which became provisionally effective on July 28, 1931. These treaties increased the conventional rates granted under the expired treaties on a long list of agricultural and manufactured products. The following illustrations will suffice to suggest the recent trend in tariffs. The conventional duty on wheat and rye was increased on July 28, 1931, from 2 gold crowns to 10 gold crowns per 100 kilos. This was equivalent to an increase of from 11 to 55 cents a bushel on wheat and from 10 to 51 cents a bushel on rye, conversions to American currency having been made at par. At the same time the conventional duty on wheat and rye flour was increased from 5 gold crowns to 23.5 gold crowns per 100 kilos (\$0.90 to \$4.23 per barrel). The conventional rates are applicable to countries with which Austria has most-favored-nation agreements, including the United States. On February 12, 1932, the conventional duty on wheat was increased to 11 gold crowns per 100 kilos (\$0.61 per bushel at par), while the duty on rye was reduced to 8 gold crowns per 100 kilos (\$0.41 per bushel). These changes automatically involved an alteration in the rates of duty on flour and milling products. The revised duty on wheat flour, therefore, is 25.50 gold crowns per 100 kilos (\$4.59 per barrel) and on rye flour 19.50 gold crowns per 100 kilos (\$3.51 per barrel).

The treaty with Yugoslavia, however, provided for a preferential Austrian import duty on an annual contingent of 50,000 tons of Yugoslav wheat at a rate of duty 3.20 gold crowns per 100 kilos (17.6 cents per bushel) lower than the duty in force at any time; this provision being subject to approval of the nations that have most-favored-nation agreements with Austria. Since the conventional duty on wheat on February 12, 1932, was increased to 11 gold crowns per 100 kilos (\$0.61 per bushel) the duty on wheat coming in from Yugoslavia under the contingent would amount to 7.80 gold crowns per 100 kilos (\$0.43 per bushel). This, however, still leaves the preferential rate on contingent wheat from Yugoslavia considerably higher than the conventional rate in effect prior to July 28, 1931.

Another example of recent upward revisions in the tariff is afforded by the increase on pork and pork products. Thus, for example, the conventional duty on salted bacon on July 28, 1931, was increased from 10 gold crowns per 100 kilos (\$0.92 per 100 pounds) to 22 gold crowns per 100 kilos (\$2.02 per 100 pounds). On the same date the conventional duty on lard was increased from 10 gold crowns to 30 gold crowns per 100 kilos (\$0.92 to \$2.76 per 100 pounds) and on breakfast bacon from 45.5 gold crowns to 80 gold crowns per 100 kilos (\$4.18 to \$7.35 per 100 pounds). The conventional rates on a considerable number of fruits and vegetables, livestock, and eggs were also materially increased at the same time.

A decree of October 20, 1931, increased the import duty on cattle from 30 to 45 gold crowns per 100 kilos (\$2.76 to \$4.14 per 100 pounds). The Austrian tariff act provides that the duty on cattle can be reduced when the average price of cattle for slaughter on the Vienna market rises above 1.50 schillings per kilo (9.57 cents per pound) live weight, and when this increase in price is not temporary in character. In this connection it should also be noted that the Austrian tariff act also contains a provision authorizing the Minister of Finance to reduce the general rates of duty on lard from 30 to 10 gold crowns per 100 kilos (2.76 cents to 0.92 cent per pound) if, and as long as, the wholesale price for lard of the best quality, in barrels, c.o.d. Vienna, rises to above 230 schillings per 100 kilos (\$14.68 per 100 pounds) on the Vienna market, temporary fluctuations excepted. A decree of October 24, 1931, reduced the general import duty on lard (which, in the case of lard, is also the conventional rate) from 30 to 10 gold crowns per 100 kilos (from 2.76 cents to 0.92 cent per pound), while

another decree of January 15, 1932, reinstated the duty to 30 gold crowns per 100 kilos (2.76 cents per pound).

2. *Import licenses.*—On July 17, 1931, a law was enacted authorizing the government to restrict by means of special import licenses imports from countries with which Austria has no commercial treaties. The law provides that such import permits will not be refused with regard to importation of the necessities of life if the country from which such products are to be imported is actually importing products of Austrian origin of the same value.

3. *Import certificates.*—In order to facilitate exportation of certain Austrian agricultural products from some parts of the country, Austria employed for a time the import certificate system known as the "Einfuhrschein" (measure adopted on Sept. 27, 1929). The use of import certificates was authorized in connection with the exportation from Austria of wheat, rye, barley, oats, cattle, horses, butter, and cheese. Under this system the certificates could be used for the payment of duty on similar goods imported into Austria. This system was discontinued on April 30, 1931.

4. *Import quotas.*—Effective April 30, 1932, the Austrian Government introduced a system of import quotas, applying the limitation of the imports from individual countries in accordance with Austria's needs. It was reported that this step was generally considered as an admission that the exchange restrictions, in force since October 9, 1931, had failed to bring the desired reduction in Austrian imports, and that a continuance of the existing trade deficit would be disastrous to the country. It was expected that the intended import quotas would principally affect manufactured and finished products, and to a lesser degree raw materials and agricultural products. Among the products for which such quotas have been established are cattle, hogs, poultry, wine, butter, cheese, edible fats, and canned fruits.

5. *Special agricultural relief fund; grain-sowing premiums and other relief measures, 1930-31.*—While not entirely of a directly price-influencing nature, a law enacted in 1930 is of special interest as an illustration of official attempts in Austria to improve the status of farmers. An enabling act dated July 16, 1930, authorized the Federal Ministry of Agriculture and Forestry to grant premiums for the cultivation of grain and to assist the millers and mountain farmers. In order to establish a fund for that purpose this law increased the consumption tax on beer and on sugar. It was estimated that the revenue from the increased beer and sugar tax would amount to 96,000,000 schillings (\$13,507,200) annually. The enabling act stipulated that the measure adopted under that act would be temporary and would remain in operation only until December 31, 1931.

In accordance with the authority granted in this law the Federal Government issued a decree on October 9, 1930, outlining the manner and extent of the special measures to be taken for the relief of agricultural distress. This decree provided that the total sum available for that purpose would amount to 96,000,000 schillings (\$13,507,200) and that this amount would be distributed as follows: (a) For sowing premiums on grain cultivation, 77.4 million schillings (\$10,890,000); (b) for assistance to domestic mills, 6.5 million schillings (\$914,550); (c) for special relief to Alpine peasants, 12.1 million schillings (\$1,702,470).

The sum destined for sowing premiums was made available in two equal installments in October 1930 and in April 1931. The remittances were distributed over the individual provinces in proportion to the actual area of wheat, rye, barley, and oats cultivated in 1929-30. The exact amount of the cultivation premium paid to individual farmers was based on the area of the crop they had actually cultivated in the autumn of 1929 and the spring of 1930.

The sum allotted for assistance to domestic mills was distributed in proportion to the turnover-tax liabilities of the mills for the period July 1, 1929, to June 30, 1930, insofar as those liabilities arose from the milling of wheat, rye, and barley. The sums due to individual enterprises were paid in two installments, the first by December 15, 1930, and the second by June 1, 1931. (The law provided that the remittance of the second installment could be made dependent on the purchase by the mills of certain quantities of domestic wheat and rye.)

The sum destined for the relief of peasants in the Alpine district was also paid in two installments, one in October 1930 and the other in April 1931. The total sum available for this purpose was distributed to the agricultural and forestry corporations of each Province. These corporations had to use the money in the promotion of the production and sale of the products of Alpine

peasants. The following projects were mentioned in the law as specially deserving of such financial assistance: (a) Promotion and improvement of trade organizations, particularly of cattle-trade organizations; (b) maintaining the price of swine; (c) promoting the building of stables and the establishment of manure deposits; (d) cheapening the prices of feeds; (e) improvement of agricultural transportation facilities.

6. *Concealed export premiums*.—A new development in economic rapprochement was embodied in the treaty of June 19, 1931, worked out between Austria and Hungary, which provided an arrangement to facilitate the exchange of goods between the two countries. The arrangement was initiated under Austrian auspices and is accordingly discussed here. However, from the standpoint of agricultural export aids, the application by Hungary is the more significant, and brief reference to it will be found under "Hungary."

The outstanding feature of the arrangement was the provision for extending credit to exporters at a moderate rate of interest which would enable them to sell their goods in the other country at a lower price than competitors from third countries. This credit arrangement was in fact equivalent to an export premium given by each government to their exporters. Of particular significance was the fact that in the several cases where the actual detailed operation of the arrangement was investigated it was revealed that the financial assistance or premium thus granted was exactly equivalent to increases in the tariff duty in the country of importation, so that Austrian exporters to Hungary and vice versa, in the net result, paid only an amount equivalent to the previous lower duty, whereas all other exporters had to pay the new higher duties.

The machinery for paying this export premium was very simple. The Austrian or Hungarian exporter informed the competent authority in his country that he intended to export a certain quantity of goods to the other country and secured a written promise on a blank form that he would receive a credit or a refund on the rate of interest he had to pay for credits. This formula was also used when the export was on a cash basis.

The exporter after having paid the import duty in the importing country, presented a written receipt and duplicate bill of lading to the competent authority and received immediate cash payment of the amount due to him under the regulations.

The treaty was originally prepared with the idea that it would form a model for other treaties to be concluded in the future by Austria with other countries. At the end of 1931 it was officially reported, however, that the operation of these provisions of the Austria-Hungarian commercial treaty had been practically nullified by the currency restriction subsequently enacted in both countries, so that the agreement is at present significant only as an illustration of one means by which most-favored-nation treaty obligations have been circumvented in commercial treaties affecting trade in agricultural products.

7. *Aid to the livestock interests*.—Government aid to the livestock interests of the country has found expression through various devices, among which must be mentioned premiums on domestic marketings, freight-rate reductions, regulation of marketing, and a so-called "livestock funds law."

(a) *Premiums for domestic livestock marketed*.—Beginning in April 1931 premiums have been paid for domestic hogs and cattle marketed in the main central city markets. The premiums amount to 15 percent ad valorem for hogs and 8 percent for cattle, calculated on basis of the gross sales prices. They were introduced with the provision that they would be paid only as long as the prevailing unsatisfactory price situation was not corrected by foreign-trade policy measures. In order to prevent the marketing of unfinished cattle and to promote the fattening of cattle, the Ministry of Agriculture early in 1931 opened a credit of 500,000 schillings (\$70,350 at par) at moderate interest for feeders who obligated themselves to buy up unfinished cattle for fattening purposes. Further measures adopted at the end of 1931 to assist mountain farmers included the supplying of grain at reduced prices for cattle breeders in the Alps. In addition, feeders who bought unfinished cattle from mountain farmers and did not market them before February 1, 1932, were granted a fattening premium of 6 percent on the purchase price.

(b) *Freight rates reduced for domestic hogs*.—In order to promote the shipment of domestic hogs to central markets, the Federal Railways had been granting considerable freight reductions on domestic hogs. These reductions, however, had to be partially withdrawn for financial reasons. A new system of relief was instituted on May 5, 1931, on the basis of which each shipper of hogs pays 125 schillings (\$17.59 at par) per carload as commuted freight, while

actual freight costs exceeding this amount are paid to the railroads out of government funds.

(c) *Livestock traffic law of October 31, 1931.*—This law provides for the systematic regulation of domestic supplies of livestock, meat, and meat products directed to the central markets of Austria. Under this law, the marketing of cattle, calves, and hogs, and of meat and meat products is only permitted on special license issued by the Livestock Traffic Office. These licenses are issued in a manner designed to regulate fluctuations in marketings that would otherwise occur, and to distribute the supplies as evenly as possible throughout the year. At the same time, the system is intended to regulate intelligently the distribution of domestic supplies during the year in relation to the marketing of foreign contingents granted by trade treaties. This regulation of supplies is reported to have resulted in a more stable price level on the central markets.

(d) *Livestock funds law.*—In the fall of 1932 a livestock funds law was put into effect, which imposes a variable import fee on imports of livestock, the height of the fee depending upon the spread between domestic and foreign prices of the particular livestock concerned. This fee in September 1932 amounted to 8.50 schillings (\$1.20 at par) per head for meat hogs, and to 20 to 25 schillings (\$2.81 to \$3.52) per head for fat hogs. The funds accumulated through the imposition of this fee are to be distributed by a special committee for various relief purposes; 50 percent is to be used for the promotion of exports of Austrian cattle (notably breeding cattle, of which Austria raises some important breeds), and the remaining 50 percent is to be used for the promotion of domestic meat consumption through free distribution of meat to those in need, and the like.

8. *Assistance to the dairy industry.*—Relief for the dairy industry became necessary early in 1931 because of an oversupply of fresh milk and resultant unsatisfactory prices in the Eastern Provinces of Austria. A law of July 17, 1931, effective October 1, 1931, established a so-called "milk equalization fund", out of which subsidies are granted to creameries and cheese factories for the manufacture of fresh milk into butter, cheese, etc. Under the provisions of this law all buyers of cow milk who sell it as whole milk to the consumer, as well as farmers who sell fresh milk to consumers, must pay a certain fee per liter into an equalization fund, out of which the above-mentioned subsidies are granted. The amount of the subsidies granted to creameries, etc., depends on quality, quantity, etc. The measure has reduced the supply of fresh milk and has increased notably the manufacture of butter, of which Austria has become an exporter in recent years, whereas previously there was a considerable import deficit. This development was probably brought about largely by previously granted government subsidies for the erection of cooperative creameries, but it has been further promoted by the milk equalization fund measure described above. Other measures adopted in favor of the dairy industry include the foundation of a "butter exchange" at Vienna (Jan. 1, 1931) aiming at a more uniform movement of prices for butter and cheese. On the same date a bookkeeping office was established for creameries, which is to direct the attention of creameries to avoidable sources of loss, etc. During 1931 some government and chamber of agriculture funds were also devoted to propaganda for increased consumption of milk. The same purpose is served by the milk regulations of May 1, 1931, which aim at improving the quality of milk supplied to consuming centers, by assuring the observance of hygienic principles, etc. Another measure of a relief character was the exemption of milk from an increase in general railroad freight rates in 1931.

9. *Government assistance to grape growers.*—Government funds to the extent of 250,000 schillings (\$35,175 at par) annually are granted from 1931 to 1934 as subsidies to grape growers for the grafting of improved varieties of grapes on American rootstocks (unterlagsreben) on the basis of a law dated February 11, 1930. Another 50,000 schillings (\$7,035 at par) annually are granted for the same purpose, from 1932 to 1935, on the basis of a second law for the promotion of grape growing, dated July 17, 1931.

BELGIUM

Government intervention in support of prices of farm products in Belgium has been confined mainly to the levying of tariffs on agricultural products and the adoption of a licensing system applicable to imports of specified products. Other measures include a compulsory milling quota for wheat and government encouragement for the maintenance of prices for domestic wheat; a government

subsidy for cultivation of new areas; and restriction of exports of sugar under the international sugar agreement (Chadbourn plan).

1. *Tariffs*.—A thickly populated industrial country, Belgium has not historically maintained high duties on imports of agricultural products and has been known as a low-tariff country. Before the war she was regarded as a "free-trade" country, though she imposed duties on both manufactured and agricultural products. Since the war, however, her tariffs have been increased, and on many agricultural products, including even products not grown in Belgium, the Belgian tariff now contains substantial duties. Moreover, the rates on many agricultural products have been materially increased during the past 2 years. Thus on November 27 and 28, 1931, the duties were increased on leaf and manufactured tobacco, livestock, meats, margarine, artificial lard, and other butter substitutes, fresh and salted butter, oranges, lemons, and bananas. Moreover, by a law dated March 23, effective March 27, 1932, a horizontal increase of 15 percent of the existing rates was made on all customs duties, and excise taxes. The increases in the customs duties, however, were not to apply to tariffs fixed by commercial treaties or to leaf tobacco and tobacco products, sugar, canned and powdered milk, and a list of specified manufactured products. On April 1, 1932 increases also became effective in the duties on preserved meats. A law passed on December 30, 1932, authorized the government to increase duties and taxes for the purpose of balancing the budget.

The duties in effect on May 1, 1933, on a number of the above-mentioned products were as follows (conversions to American currency being made at the exchange rate prevailing on that date): Unmanufactured tobacco, not stemmed and stemmed, 500 and 900 francs per 100 kilos (\$7.44 and \$13.40 per 100 pounds, respectively); live cattle, except heifers, 50 francs per 100 kilos (\$0.74 per 100 pounds); live heifers, 75 francs per 100 kilos (\$1.12 per 100 pounds); frozen beef, mutton, and pork, 75 francs per 100 kilos (\$1.12 per 100 pounds); chilled beef, mutton, and pork, 105 francs per 100 kilos (\$1.56 per 100 pounds); margarine, artificial lard, and other butter substitutes, 60 francs per 100 kilos (\$0.89 per 100 pounds); fresh and salted butter, 140 francs per 100 kilos (\$2.08 per 100 pounds); oranges and lemons, 25 francs per 100 kilos (\$0.37 per 100 pounds); fresh apples in cases, boxes, baskets, or other packages weighing 20 kilos (44 pounds) or less, 172.50 francs per 100 kilos net (\$2.57 per 100 pounds); fresh apples imported in bulk, 3.45 francs per 100 kilos gross (\$0.05 per 100 pounds); fresh apples imported otherwise, 5.75 francs per 100 kilos (\$0.09 per 100 pounds). In addition to the above duties, except in the case of tobacco, there must be added the horizontal increase of 15 percent of the basic rates, as provided for in the law of March 27, 1932, referred to in the preceding paragraph. The duties on tobacco must also be increased to the extent of existing excise taxes, amounting approximately to 1.3 cents per pound.

2. *Sanitary restrictions on imports*.—Belgium also enforces quarantine regulations in order to prevent the introduction of phylloxera and the Colorado potato beetle. For example, the importation of grape vines, and all parts of the vines, is prohibited upon authorization by the minister of agriculture. The purpose of this embargo is to prevent the introduction of phylloxera. Importation of table grapes is permitted only when packed in containers that permit easy inspection. Wine grapes can be imported only when pressed and shipped in hermetically sealed casks. The importation of potatoes, tomatoes, and egg plants is permitted only when the shipments are accompanied by a certificate affirming that the products come from districts free from the Colorado potato beetle.

3. *Governmental wheat milling quota and price fixing*.—Belgium for some time endeavored to grant special aid to her wheat growers through the medium of a Government-fostered private agreement among millers fixing a minimum percentage of domestic wheat to be used in milling. This arrangement grew out of a meeting held under Government auspices during March 1931 between representatives of producers, flour millers, and the grain trade for the purpose of considering a requirement that a certain quantity of domestic wheat be mixed with imported wheat for domestic consumption. The minister of agriculture announced that he would take steps to give effect to the measure proposed at this meeting. An agreement was reached whereby millers voluntarily undertook to use at least 5 percent domestic wheat in their milling and to purchase this wheat at a minimum price of 100 francs per quintal (76 cents per bushel).

Agricultural interests had been urging the adoption of a compulsory mixing law, similar to those in effect in surrounding countries, with suggested minimum

percentages of domestic wheat ranging upward as high as 25 percent. The Government has also been urging millers to pay at least 125 francs per quintal (95 cents per bushel) for domestic wheat. A decree issued on September 15, 1932, set up a compulsory mixing regulation applicable to domestic wheat used in flour manufacture. The law provided that in the future flour millers would have to use at least 10 percent domestic wheat in bread making and that as long as this requirement remained in force licenses would not be issued for the importation into Belgium of soft wheat of foreign origin or of flour and other wheat products. (See sec. 7, following.)

A royal decree of January 20, 1930, provided that the importation and transit of wheat and wheat flour would thenceforth be subject to a special authorization issued by the minister of agriculture. This measure was adopted in order to protect domestic producers from the dumping of wheat and flour on the Belgian market by neighboring countries. This decree has subsequently been extended and is still in force at the present time. Permits are required for the importation of wheat, wheat flour, grits, groats, or semolina. (See sec. 7, following.)

4. *Subsidy for new areas cultivated.*—With a view to increasing farm production, the state has been granting subsidies for new areas cultivated since early in 1931. This subvention amounts to about \$3.40 an acre. Moreover, undeveloped lands made fit for cultivation are exempted from taxes for a period of 10 years.

5. *Export restriction.*—Belgium is a participant in the international sugar agreement of 1931, providing for restriction of exports on the part of the leading sugar-exporting countries. (For further details, see Cuba.)

6. *Control of imported seeds, plants, fertilizers, and animal feeds.*—A royal decree, dated February 17, 1932, established regulations for the control of the import trade of Belgium in seeds, plants, fertilizers, and animal feeds, effective as of October 20, 1932. In general, the decree provides specific regulations for the labeling of these imported products so as to guarantee that the product conforms in every way to the Belgian standards of grade and quality.

7. *Import licenses.*—Belgium has also enforced a quota and an import licensing system during the past 2 years. Among the agricultural products for which such licenses must be obtained for importation are the following: Cream, sugar, corn products, soft wheat, wheat flour, live cattle and pigs, fresh pork, frozen meat, fresh fish, butter, apricots, grapes, plums, and fresh peaches. Applications for licenses must be made during each month for imports during the month following. In this way the Government is able to control and regulate the imports of the products specified by fixing quotas for which import licenses will be granted. At first quotas were allocated to individual countries but at the present time the importers are free to purchase the articles in question from any country up to the maximum permitted.

BRAZIL

Governmental support of agricultural prices finds one of its oldest and most familiar illustrations in Brazil's long established and still prevailing policy of intervention in behalf of her coffee industry. Because of the predominant importance of coffee in her export trade and of the many interesting and suggestive features in the evolution of her present system of intervention, especial emphasis is given here to her attempts to aid this particular branch of her agriculture. But, in addition, she is now engaged in aggressive efforts to support her sugar industry; she is giving special aid to the cacao industry; she imposes high duties and other import restrictions on many agricultural products; and she has recently concluded a new series of most-favored-nation treaties in the endeavor to facilitate the movement of her exports.

Before describing the foregoing measures, it may be noted briefly that most of Brazil's agricultural production is on an export basis, coffee, chilled and frozen beef, yerba maté, cacao beans, cotton, hides and skins, tobacco, and other agricultural commodities making up about nine tenths of her export trade. As has been pointed out in connection with other countries, governmental aid measures designed to restrict imports in such cases are only nominal insofar as any price-raising effect is concerned, except where they are used in conjunction with internal trade control, such as the controls applied to coffee, sugar, and perhaps cacao. However, not all of Brazil's agriculture is on an export basis. Wheat and wheat flour are the most

important exceptions; but wine and certain fruits and nuts are also imported more or less extensively.

1. *Coffee valorization and defense.*—One of the best-known instances in the whole agricultural field of government intervention for the purpose of raising prices received by the growers is supplied by Brazil's attempts to regulate the price of coffee. Brazil has a quasi-monopolistic position in the world's coffee trade, arising from the fact that she produces two thirds of the world's supply. The state of Sao Paulo alone produces three fourths of the Brazilian and half of the world supply, and the port of Santos is the world's great primary market for coffee.

The history of Brazil's attempts to control coffee prices runs back nearly 30 years. Between 1905 and 1923 the government engaged in valorization operations on three occasions; and since 1925 it has participated, directly or indirectly, in continuous operations for the so-called "permanent defense" of coffee. In the earlier years it was the government of the State of Sao Paulo which intervened. But in more recent years both the governments of other coffee-producing states and the Federal Government have been active as well, the Federal Government being at present the chief agency of control.

The first coffee valorization extended from 1905 to 1918, if one includes the long period consumed in disposing of the supplies purchased in the earlier years. Late in 1905 the State of Sao Paulo adopted a valorization program, after the accumulation of large stocks from earlier heavy crops and the prospect of a bumper crop in 1906 had led to a complete collapse of prices; and in 1906 it began purchasing on a large scale. By 1908 it had bought some 8,000,000 bags, equivalent at that time to almost a whole year's production. By this time, however, the financial resources with which to continue operations had become exhausted. At this juncture a large loan was secured from foreign bankers, subject to control of further proceedings by the bankers in protection of their loans, including guaranties by Sao Paulo to restrict output and exports. In 1914, when the bankers relinquished control, only about 3,000,000 bags remained unsold. Most of this was stored in Germany, where it was seized at the outbreak of the war. Subsequent German reimbursement after the war brought this valorization to a successful close. In the face of adverse conditions coffee prices had been held fairly steady during the period of purchase from 1905 to 1908. The valorized coffee was ultimately disposed of at prices which were considered quite satisfactory. Including the surtax, the Government is estimated to have made a profit of about \$50,000,000 on its operations.

The second valorization, from 1917 to 1920, proved a profitable investment for the Sao Paulo Government. The State bought at low prices in 1917-18 after a heavy crop in 1917 and sold at high prices in 1919, during a year of relative shortage and reviving postwar demand. On this operation the State and Federal Governments are estimated to have made a total profit of about \$20,000,000, or nearly 70 percent on their investment.

The third valorization, from 1921 to 1924, was conducted by the Federal Government of Brazil rather than the State of Sao Paulo. A modification was made in the policy of retaining surpluses. Instead of being stored abroad as it had been theretofore, the coffee was stored in Brazil; and the supplies shipped to the port of Santos were regulated with a view to stabilization of prices. Quite apart from its price-stabilizing features the third valorization is estimated to have yielded the government profits of 40 percent of the capital invested.

Meanwhile, in 1922, a federal law had provided for the establishment of a "Permanent Institute for the Defense of Coffee", which was to place the control of coffee marketing in private hands and to develop a permanent, continuous method of control along the lines followed in the third valorization. The burden of storage was to be shifted to the growers, who had been increasing their plantings by about 8 percent a year since the war and increasing their production along with their plantings. The main objective of the "permanent defense", as stated, was the stabilization of prices through the regulation of supplies coming into the market, particularly into Santos. For various reasons the federal government retired from the field soon after the enactment of the federal law creating the new arrangement, and the whole project was taken over by the State of Sao Paulo. Operations under the new scheme began in 1925. New interior warehouses made possible the storage of large quantities in the interior. Coffee stocks could thus be kept less visible than in the earlier years when they were stored chiefly abroad.

Under this new policy, however, large crops from the rapidly expanding industry led to a constantly increasing accumulation of stocks in the interior. Finally, in September 1929 prices broke, and complete collapse followed. From 16 cents a pound in September the price fell to 11½ cents in November. A surplus amounting nearly to a year's production was hanging over the market. In April 1930 a foreign loan of £20,000,000 by an international banking group initiated a new period of liquidation which is still in progress. The loan was for 10 years, with interest at 7 percent, and was secured by an extra export tax of 3s. a bag (73 cents a bag, or 0.55 cent a pound at par) on coffee produced in the Sao Paulo district. The actual proceeds of the loan amounted to about \$72,500,000, and the uses to which this sum was to be put were designated as follows: (1) Liquidation of the \$34,000,000 of previous short-term indebtedness; (2) purchase of 3,000,000 bags withdrawn from market; and (3) continuation of the operations for financing of coffee. Most significant of all, the terms of the loan required the State of Sao Paulo to place future crops on the market currently, permitting it to accumulate coffee during the life of the loan only at the request of the bankers as further security.

At the end of 1930 Brazil found herself with the equivalent of a year's production in storage at a time when prices had fallen to less than one half the level of the preceding year. Matters had grown steadily worse; and from that time the Federal Government began to assume more active charge of the situation. A federal decree of February 11, 1931, set forth the following defensive measures: (1) The Federal Government would purchase all retained coffee stocks found to be in excess on June 30, 1931, exclusive of the stocks held by the State of Sao Paulo under the terms of the £20,000,000 loan. The number of sacks purchased by the Federal Government later turned out to be 16,500,000, valued at something like \$117,000,000. (2) Entries into the export centers would be admitted "free" only so long as their monthly volume did not exceed one twenty-fourth of the crop commenced and the crop immediately following. (3) A tax of 1 milreis (12 cents at par) a tree per annum was imposed on new plantings other than replacements of worn-out trees, this provision to be in force for 5 years. (4) A tax in kind on all coffee exports, amounting to 20 percent, was imposed.

On April 28, 1931, a compact between the coffee-producing States and the Federal Government went into effect. The States agreed each to collect a special tax of 10s. (\$2.43) a bag on coffee produced in and shipped out of their respective territories for a period of 4 years. Proceeds were to be deposited daily to the account of a National Council. This Council consists of 6 representatives, 1 from each State and 1 from the Federal Government, who acts as chairman. The representatives of the three States of Sao Paulo, Minas Geraes, and Rio de Janeiro constitute an executive committee. The funds collected by the Council are employed exclusively "in the purchase for elimination of the excess of production and of the actual stocks, for the purpose of balancing supply and demand * * *." On June 7, 1931, the burning of coffee was actually begun.

In accordance with the terms of the foregoing agreement, the Federal Government, on May 16, 1931, issued a decree changing the 20 percent in kind levy to one of 10s. a bag (\$2.43 a bag, or 1.8 cents a pound) on all coffee exported from Brazil during the next 4 years. It was estimated that the income from this tax would be about \$40,000,000 a year. Meanwhile, until the end of 1931, the 3s. tax in Sao Paulo continued to be collected.

This reorganization of the coffee-defense machinery in the spring of 1931 marked the end of the authority of the Sao Paulo Coffee Institute as an independent entity. From that time it was superseded by the National Coffee Council and became for the most part an agency of the latter. The National Council was placed in charge of the collection and disbursement of the 10s. tax, regulation of shipments of coffee to the ports, and in general the defense of coffee.

Meanwhile, however, the Council was brought increasingly under the domination of the Federal Government. In September 1931 a new decree effected its complete reorganization. The Council was now compelled to render a monthly account to the Minister of Finance. Most important of all, the Federal representative on the Council was given the power to veto any resolution either of the Council itself or of its Executive Commission which he might deem contrary to the interests of the Federal Government. This action led to a protest about a month later (November 10) from the Council, in which it complained that its only functions were those of collecting a tax and destroying wealth.

In December 1931 a new meeting of the Council led to a better understanding with the Federal Government and a considerable expansion of the Council's power. It now received the financial support of the Federal Government and full responsibility in the matter of coffee purchases. In addition it was authorized to conduct internal credit operations utilizing as a basis the anticipated export-tax returns. The export tax was increased from 10s. to 15s. a bag (i. e., to \$3.65 a bag, or 2.75 cents a pound at par), and at the same time the Sao Paulo 3s. tax was abolished. One third of the 15s. tax was to go toward amortization and interest on the £20,000,000 coffee loan (now £18,000,000) to Sao Paulo, for which the National Council now became responsible. Most of the remainder of the tax was to go toward completing the purchase of surplus stocks as of June 30, 1931. Surplus coffee was to be destroyed by the Council at a minimum rate of 1,000,000 bags a month; though, of course, the coffee pledged against the £20,000,000 loan would be left intact. Thus the policy of destruction of new supplies which began in April 1931 was to be prosecuted with new vigor. Moreover, the Council was authorized, at its own discretion, to enter upon an external program of buying operations or other measures to defend the market in the future, the funds of the Bank of Brazil being available for this purpose if needed.

To indicate roughly the position at the close of 1931, approximate figures showing the volume of coffee declared to be in excess, the quantity already destroyed, the quantity purchased, etc., may be cited. The amount to be purchased by the Federal Government by the end of March 1932, in accordance with the decree of February 11, 1931, was set variously at from 16,500,000 to 17,900,000 bags, the latter figure being the more recent. Of the 17,900,000 bags, 11,100,000 represented the stock mortgaged to foreign bankers for the £20,000,000 loan contracted by Sao Paulo in April 1930. An amount of 2,600,000 bags was dispensed with by sale and barter to the Hard & Rand Co. and to the Grain Stabilization Corporation of America, leaving about 4,100,000 bags to be bought by the National Coffee Council and burned. Up to December 12, 1931, 2,500,000 bags had already been destroyed throughout Brazil. In addition to the 4,100,000 bags to be paid for by the Council in order to complete its allotted purchase of 17,900,000 bags of coffee, the Council was to make two additional purchases of 1,100,000 and 1,700,000 bags, financing them with special credits. These 2,800,000 bags of coffee which were to be purchased at the ports would also be destroyed, bringing the total of coffee destroyed by the end of March 1932 up to 9,400,000 bags. It is thus clear that control of coffee, far from having been abandoned in the face of recent difficulties, had never been a more active preoccupation of the Brazilian Government than it was now.

On May 3, 1932, the export tax was changed from 15s. to 55 milreis per bag in order to maintain the income from the impost. Subsequently, through its control over foreign exchange, the Brazilian Government increased the gold value of the milreis until in June 1932 the tax was equivalent to about \$4.20 per bag. The gold price was now up to 10 cents a pound.

At the end of the first year of the new coffee-control regime (in June 1932) the situation seemed to have brightened somewhat. Purchase of coffee by the National Council to the amount of 13,000,000 bags, the destruction of 8,000,000 bags of coffee, and the prospect of a reduced crop had brought an easier supply situation. Total stocks now amounted to 26,900,000 bags, of which 12,700,000 was held under the foreign loan, 3,600,000 held by the Council pending destruction, and 10,600,000 held by planters and exporters for sale in the near future. But the price situation had not improved sufficiently, particularly insofar as the growers were concerned. As was pointed out by farmer organizations, the export taxes constituted half the Santos market price for coffee.

From July 9 to October 14 the whole coffee-control machinery was at a standstill, the port of Santos being closed during the Sao Paulo revolution. In November increased restriction in the interior was begun with a Federal decree prohibiting the planting of coffee fields during the next 3 years, only spot replanting within fields already under cultivation being permitted. At the same time the National Coffee Council was authorized to fix annually for each producing State a quota of coffee to be sold to the Council at a previously fixed price and to be delivered to the interior warehouses of the Council, the quotas being proportional to the production of the several States. At the same time the restriction on the shipment of coffee out of Santos was eased by a second decree, dated December 1932, which reduced the export tax on coffee by restoring it to the basis of 15s. in gold from 55 to 48.6 milreis (or from \$4.23 to \$3.74 per bag).

On February 10, 1933, the Federal Government took over complete control of the coffee defense by a decree abolishing the National Coffee Council and creating in its stead a National Coffee Department, subordinate to the Ministry of Finance. The Department has three directors, appointed by the Federal Government, and is assisted by an Advisory Council consisting of a representative of each of the agricultural associations of each of the coffee-producing States; a commercial representative of the Rio market, one of the Santos market, and another of the Victoria market. The Council is to meet only when convoked by the Department. The Department has the power to superintend all coffee business, including fiscal control over coffee institutes and associations and the services of the former National Coffee Council.

2. *Sugar industry defense and price fixing.*—Brazil is not a member of the Chadbourne international sugar agreement, although she exports a small amount of sugar each year. Instead of joining the international cartel, she has set up her own stabilization machinery, designed to provide "a reasonable price for the products of (the producers) mills which will guarantee a reasonable remuneration for their efforts and capital, without asking for an artificial valcrization to the detriment of the consumer." If necessary, the Ministry of Labor, Industry, and Commerce, upon the recommendation of an Advisory Commission for Protection, may alter the basic prices. In its essence the plan as set forth in a decree of December 10, 1931, places the Ministry of Labor, Industry, and Commerce in control of both the supply and the price of sugar. When quotations at the principal Brazilian sugar market (Rio de Janeiro) fall below a given minimum, stocks are to be exported. When quotations rise above a slightly higher maximum, stocks are to be sold on the domestic market. Under the shelter of a high import duty on sugar, a minimum price can, of course, be maintained by restricting domestic supplies as contemplated. On the other hand, when supplies have been disposed of on the domestic market and quotations still exceed the maximum fixed in the decree, the Government can lower the tariff barrier. Financial support for the operations of both the bank and the Commission are derived from a tax of 3 milreis a bag (0.27 of a cent a pound at par) levied on all sugar produced by the mills in Brazil.

Two organizations are concerned in the sugar operations under the Ministry of Labor, Industry, and Commerce. The actual stabilization operations are in the hands of a bank or banking association which acts under contract as the agent of the Government. The price of 39 milreis (paper) a bag at Rio or its equivalent of 30 milreis at the producing centers (3.5 and 2.7 cents a pound, respectively, at par) serves as a basis for banking assistance. The bank makes advances up to 70 percent of this basic price and takes control over the sugar stocks offered as security. The "grinder" is thus assured of about 1.9 cents a pound at par. But the bank is "forbidden to conduct new warranty operations if the market price is maintained above the basis of 39 milreis." It may even sell the sugar that it holds as security when Rio quotations rise above 39 milreis, and, indeed, must sell when they rise above 45 milreis (4.1 cents a pound at par). The law provides that the bank may be replaced in the future by an organization "constituted through the cooperation of the millers (grinders) and sugarcane owners under the protection of the governments of the respective States." This organization is to be "capable of guaranteeing complete protection to the sugar industry."

The other organization concerned with sugar stabilization is the newly created Commission for the Protection of Sugar Production, comprising some 15 members, 1 from the Brazilian Ministry of Finance; 1 from the Ministry of Labor, Industry, and Commerce; 1 from each of the sugar-producing States, of which there are about a dozen; and 1 from a bank or banking association to whom the operation of the scheme shall be entrusted. The Protection Commission acts mostly in an advisory capacity, presenting reports to the Ministry of Labor, Industry, and Commerce at stated intervals. It reports quarterly on the sugar situation in general and annually on the transactions involved in the stabilization operations. Its most important functions are to determine the amount of sugar to be exported in order to keep domestic prices at the minimum of 39 milreis a bag at Rio de Janeiro and to fix a compulsory maximum volume of production for every sugar mill in Brazil. A fine of 20 milreis a bag (1.8 cents a pound at par) was provided as a penalty for excess production.

In November 1932 a new decree limited the production of each sugar factory to the average production of the past 5 years, taking into consideration alterations in capacity during that period. The Protection Commission was em-

powered, in May and September of each year to increase or decrease the production permitted in accordance with the stocks on hand and estimates of the harvest. Sugar which may be produced in excess of the limit fixed will be seized by the Protection Commission for export or conversion into alcohol, the proceeds to be incorporated into a defense fund. This decree also authorized the expenditure by the Protection Commission during 1933 of 2,400 milreals for increasing the production of alcohol.

3. *Government intervention in the marketing of cacao.*—On June 8, 1931, the Cacao Institute of Bahia was established by a decree of that State, designating the institute as a "society of cooperative character", its capital stock to be owned by the cacao producers. Its primary purpose is to promote better methods in the marketing of cacao, in particular to reduce the costs of marketing and to standardize the export grades. Another of its functions is to extend financial assistance to grower members, granting both long- and short-term credit.

According to the basic legislation the institute is to "construct and maintain warehouses for the storage of cacao and equipment for the harvesting, sacking, inspection, improvement, classification, and suitable storage of the crop. * * * These warehouses will constitute official and obligatory markets for the exportation of cacao from the State." Because these powers may be used in support of price, although the "institute is strictly forbidden to enter into any transactions of a speculative character, including price fixing", a brief account is given here.

The Bahia Institute was established with the informal approval of the Brazilian Federal Government, and a very important part in the affairs of the institute is reserved to the Government, at least for the first few years. "The institute will be under Government supervision. The board of directors will include a representative of the Government, who will have the right to oppose any business which in his judgment is inimical to the institute and would be disastrous to its finances. Until March 1935 the chairman of the institute will be appointed by the State government and the position of financial director will remain unfilled." A loan of 10,000 contos of reis (\$1,196,000 at par) was extended to the institute by the Bank of Brazil. This credit was followed in March 1932 by one amounting to 25,000 contos (\$2,990,000 at par) granted by the Federal Bank of Economics (Caixa Economica Federal). The new loan bears interest at 6 percent and is payable in 10 years. The Institute of Cacao guaranteed this loan by an export tax amounting to 2½ milreis per bag (0.23 of a cent a pound at par). The new loan was used in part to redeem the earlier one.

4. *Import restrictions.*—Most agricultural products being on an export basis, import restrictions play but a small role in supporting agricultural prices in Brazil. The duty of 50 percent ad valorem imposed on coffee is for the present largely nominal. The duty on sugar, on the other hand, is effective in connection with the stabilization plan when the internal price is higher than foreign prices; the sugar duty is 4.9 milreals paper per kilo (17 cents a pound as of May 1933 exchange). Duties on wine, which is on an import basis and is at the same time produced domestically, vary with alcoholic content from 1.2 to 3.1 milreals paper per kilo (\$4.18 to \$10.88 per 100 pounds). On wheat, which also is imported, a duty of 61 reis paper per kilo (21 cents per 100 pounds) is imposed. From August 1931 to February 1933; a temporary embargo was imposed on all imports of wheat flour following the coffee-wheat barter with the American Federal Farm Board by which the Brazilian Government received in exchange some 25,000,000 bushels of wheat.

Since September 10, 1931, duties have been payable in gold, or else in an equivalent number of paper reis, arrived at by multiplying the declared duty by an officially assigned ratio. In May 1933 the ratio of paper to gold reis for duty purposes was 7.264 to 1. In addition to the regular import duties, a port improvement tax amounting to 2 percent in gold is levied on imports into Brazil.

In December 1931 the general structure of the Brazilian tariff was changed from a single-column to a double-column system. In place of a single rate on each item applying to all imports regardless of origin, the new system specified a minimum rate to apply to imports from countries having commercial treaties with Brazil and a maximum rate to apply to other imports. Nominally both minimum and maximum rates were the same as those of the former single column, but actually the maximum rates were about one fourth higher than the minimum. This difference was brought about by the provision that an abatement of 35 percent should be allowed on the payment of the minimum duties, while an abatement of but 20 percent should be allowed with the

maximum. The double-column feature of the tariff is of chief significance in the present connection as a medium for the negotiation of commercial agreements with other countries designed to assist Brazilian exports of agricultural and other products. (See below.)

Brazil also maintains sanitary restrictions which, in addition to serving their direct purpose, may also have economic effects. Certificates of origin and health are required to guarantee as free from disease the following commodities: Potatoes, fresh fruits, chestnuts, seed corn, and seeds of alfalfa and other leguminous plants. The importation of raw cotton or cotton wastes is prohibited, unless each consignment is accompanied by an official document certifying that it has been subjected to the necessary disinfection. The importation of the following is absolutely prohibited: Potatoes from Portugal and Spain, and seeds or cuttings of coffee. The following may be imported only by the Government and only for experimental purposes: Cottonseed and seed cotton; sugarcane; slips, fruits, and seeds of cacao.

5. *Commercial agreements as an aid to exports.*—The purpose of the Brazilian Government in instituting the double-column tariff (as above) was to have available tariff favors to offer in exchange for preferential entry of her exports into foreign countries. As has already been noted, about nine tenths of her exports are agricultural. Some six or seven tenths of her total exports consist of coffee alone. Immediately following the inauguration of the new tariff regime with its maximum and minimum rates described above, several countries opened negotiations with Brazil for most-favored-nation treaties. By April 1932 commercial treaties were concluded between Brazil and the following nations: Belgium, Canada, Chile, China, Cuba, Czechoslovakia, Denmark, Egypt, Finland, France, Germany, Great Britain, Holland, Hungary, Irish Free State, Italy, Japan, Latvia, Mexico, Norway, Paraguay, Peru, Poland, Portugal, Spain, Sweden, Switzerland, and the United States.

BULGARIA

Measures taken in defense of grain prices have been the outstanding feature of agricultural price-supporting activities of the last 2 years or so in Bulgaria. These included intervention of the Government in the purchase of wheat and rye at fixed prices, followed by the granting of a complete monopoly to the Government for the purchase and sale of these cereals; participation in the united efforts of the Danubian countries, through preferential tariff negotiations, to secure more favorable foreign outlets for their cereals; and, in the case of corn, payment of an export premium. Other measures in aid of Bulgarian agriculture include regulation of sugar-beet prices and acreage, aid and intervention in cooperative marketing, and restriction of imports of those agricultural products of which Bulgaria produces less than she consumes.

1. *Government price-fixing and monopolistic control of trade in wheat and other cereals.*—Since February 1931 the Bulgarian Government has been actively intervening in the grain trade in pursuit of a plan combining price maintenance with tax relief. At that time a Central Grain-Purchasing Bureau was established, and this bureau began purchasing grain at fixed prices, payable partly in cash and partly in taxation credits. Originally no legal monopoly of the purchase or sale of cereals was conferred upon the grain-purchasing bureau; but on October 12, 1931, a law was enacted granting to it a complete monopoly over the wheat and rye trade. From March until August 1931 the grain-purchasing bureau bought wheat at a price (payable partly in tax credits) equivalent to about 78 cents a bushel. In August the purchase price was reduced to 66 cents, and this latter continued to be the price after the establishment of the monopoly in October. After October 12, having been granted the exclusive right of sale, the grain-purchasing bureau also began selling wheat to the domestic mills at a fixed price. This price was set at 78 cents a bushel. Exportation could be carried on either directly by the bureau or by exporters, the latter being the predominant method; but exporters could secure their wheat only from the bureau. A more detailed account of the operations of the bureau before and since the establishment of the monopoly in October 1931 follows:

(a) *The Central Grain-Purchasing Bureau and its operations from February to October 1931.*—The law establishing the central grain-purchasing bureau was enacted in December 1930, though the bureau did not actually begin operations until February 1931. An act of December 23, 1930, directed the Council of Ministers to organize the grain-purchasing bureau. It was authorized to purchase unlimited quantities of wheat, rye, corn, barley, oats, and millet directly

from the producer, using as its agents cooperatives, banks, or merchants who desired to engage in such undertakings. Purchases could be made until June 30, 1931, and could be extended 4 months beyond that time upon the approval of the Council of Ministers. The grain could be exported by the bureau's agencies, sold to merchants for export, or sold to grain dealers or millers for home consumption. When the bureau found it necessary to store wheat or rye, it could fix the rents of existing warehouses, if rents charged by owners of such establishments were too high. The bureau was financed to the extent of 40,000,000 leva (\$288,000) by loans secured from the Bulgarian Agricultural Bank and the Bulgarian Cooperative Bank, and was exempt from payment of taxes and stamp duties in its purchases and sales of cereals.

Although the bureau was not granted a monopoly in the handling of the cereals mentioned above, and any other agency or individual could continue to deal in them, it was authorized to pay prices higher than those prevailing in foreign markets. These prices, together with the quantity to be bought, the conditions of sale, commissions to various intermediaries, etc., were determined by the director of the bureau acting with a bureau council consisting of representatives of the Council of Ministers of the Agricultural Bank, the National and the Central Cooperative Bank, of the chambers of commerce, and of the grain exchanges. If millers and flour merchants sold flour at prices which did not correspond with the prices of cereals at interior markets, then the bureau could fix the prices of the various grades of flour. If millers did not maintain these prices, the bureau then had the power to appoint a supervisor over the offending mills or to close them. The bureau could also determine both the grade of flour to be milled and the price at which it was to be sold and could even compel local mills to grind low-quality wheat held by it and to sell the flour at prices fixed by the bureau.

From February to August 1931 the bureau maintained the following schedule of basic prices for purchasing grain from the peasants: Wheat, 60 pounds per bushel, 4 leva per kilo (78 cents a bushel, at par); rye, 56.7 pounds per bushel, 3 leva per kilo (56 cents a bushel); barley, northern Bulgaria, 50.4 pounds per bushel, and southern Bulgaria, 58 pounds per bushel, 3 leva per kilo (49 cents and 57 cents a bushel); oats, 34 pounds per bushel, 3 leva per kilo (33 cents a bushel); millet, 58 pounds per bushel, 315 leva per kilo (66 cents a bushel); and corn, 16.4 percent moisture content, 3 leva per kilo (55 cents a bushel). Various standards as to cleanliness, soundness, freedom from foreign matter, etc., were specified. All of the prices applied to grain delivered at Varna or Bourgas, the two most important exporting points of the country. Up to July 15, 1931, while the 1930 crop was being marketed, the basic qualities were slightly lower than those specified here.

The prices paid by the grain-purchasing bureau were not, however, cash prices. During the 1930-31 marketing year, only 50 percent of the payment for wheat and only 25 percent of the payment for other cereals was to be made in cash, the rest being in the form of special bonds and coins tenderable only in payment of land taxes and good until September 1931. After July 15, 1931, however, the cash ratios were increased, 70 percent of the payment for wheat and 50 percent of the payment for other grains being made in cash.

After August 11, 1931, prices were reduced in order to accord better with lower world prices. A new schedule published on that date gave the following basic prices for the same qualities specified above (except for wheat, specifying 59 instead of 60 pounds per bushel): Wheat 3.4 leva per kilo (66 cents a bushel, at par); rye, 2.6 leva per kilo (48 cents a bushel); barley, 2.6 leva per kilo (43 cents and 49 cents a bushel), for northern and southern Bulgaria, respectively; oats, 2.6 leva per kilo (29 cents a bushel); millet, 2.8 leva per kilo (53 cents a bushel); and corn, 2.6 leva per kilo (48 cents a bushel).

The prices paid the growers by the bureau were from the beginning well above the world market parity, with the result that the quality of grain from the 1930 crop marketed through the bureau turned out to be distinctly larger than had originally been anticipated. An estimate of the results of the bureau's operations discloses that from February to June 1931 the bureau purchased approximately 9,200,000 bushels of cereals. Of this amount, some 8,800,000 bushels were sold for export, about 100,000 bushels were sold for home consumption, and perhaps 300,000 bushels were carried over into the marketing year 1931-32. The total actual cash expended by the bureau during the period, including payment for grain purchases, bonds redeemed in cash, and all operating expenses, was approximately 460,000,000 leva (\$3,308,000). Sales during the period, including an estimated value for carry-over on July 1, 1931, were

approximately 604,000,000 leva (\$4,346,000). Thus the net cash gain was 144,000,000 leva (\$1,038,000). However, in addition to cash outlay, tax bonds in the amount of 502,000,000 leva (\$3,614,400) were issued in part payment for cereal purchases. Approximately 478,000,000 (\$3,441,600) of this amount was turned into the State treasury by the farmers for taxes, the remaining 24,000,000 (\$172,800) being cashed for the account of the Government by the Bulgarian Agricultural Bank. Statistics of the operations of the bureau during January to June 1931 are summarized in the first and third tables following below.

Bulgaria: Operations of the Grain Purchasing Bureau from January to June 1931

VOLUME AND VALUE OF PURCHASES AND SALES

Commodity	Total purchases			Total disposition ¹			Loss, purchases minus disposition
	Quantity	Average price	Value	Quantity	Average price	Value	
	Thousand bushels	Cents per bushel	Thousand dollars	Thousand bushels	Cents per bushel	Thousand dollars	
Wheat.....	5, 559	75	4, 174	5, 556	51	2, 835	1, 399
Corn.....	2, 146	52	1, 113	2, 146	38	820	293
Rye.....	1, 106	52	573	1, 106	39	427	146
Barley.....	785	44	348	781	33	259	89
Millet.....	4	59	3	4	59	3	-----
Oats.....	7	30	2	7	22	2	-----
Total.....	9, 607	-----	6, 213	9, 600	-----	4, 346	1, 867

DISPOSITION OF PURCHASED GRAIN

Commodity	Sales for export			Sales for home consumption			Carry-over		
	Quan- tity	Average price	Value	Quan- tity	Average price	Value	Quan- tity	Average price	Value
	Thou- sand bushels	Cents per bushel	Thou- sand dollars	Thou- sand bushels	Cents per bushel	Thou- sand dollars	Thou- sand bushels	Cents per bushel	Thou- sand dollars
Wheat.....	5, 184	51	2, 650	107	62	66	265	45	119
Corn.....	2, 126	38	812	5	29	1	15	44	7
Rye.....	1, 102	39	425	-----	-----	-----	4	33	1
Barley.....	772	33	255	-----	-----	-----	12	33	4
Millet.....	4	60	3	-----	-----	-----	-----	-----	-----
Oats.....	7	22	1	-----	-----	-----	-----	-----	-----
Total.....	9, 195	-----	4, 146	112	-----	67	296	-----	131

Source: Total quantities purchased, sales for export, sales for home consumption, and carry-over obtained from the Bulgarian Grain Purchasing Bureau.

¹ Represents sum of sales for export, sales for home consumption, and carry-over.

Operations of the bureau from June 1931 until June 1932 were confined chiefly to the 1931-32 crop. It early became apparent that the operations of the bureau during 1931-32 would be more costly than in the earlier period. Though the prices paid to the growers were reduced on August 11 the decline in world prices meanwhile was such that the margin of the bureau's prices over world parity was wider on the whole than it had been during the first part of the year, this being especially true of wheat (which comprised about three fourths of the total) and of rye. During the period from June to October 1931 the bureau received and sold either at home or abroad 1,620,000 quintals of cereals. In terms of wheat, at 60 pounds per bushel, this quantity would be equivalent to 5,952,000 bushels; allowing for the lighter weight per bushel of the other cereals, it would be somewhat greater. These cereals were purchased at a total cost of approximately 533,000,000 leva (\$3,837,600), of which 373,000,000 leva (\$2,685,600) was paid in cash and 160,000,000 leva (\$1,152,000) in tax bonds. The income from the sale of cereals was 306,000,000 leva (\$2,203,200), all cereals purchased during the period having been sold. Thus, on operations up

to October 19, the bureau had received considerably less from its sales than the cash cost of the cereals it purchased, whereas in the first part of the year it had made a considerable net cash gain.

In the foregoing circumstances it was deemed important that the bureau should be given a complete control over the grain trade, hence the establishment of the Cereal Monopoly in October.

(b) *The Grain Purchasing Bureau under Cereal Monopoly Act of October 1931.*—On October 12 new legislation was enacted setting up a complete governmental monopoly of the grain trade (the Bulgarian Cereal Monopoly), thus making it possible to offset or minimize losses on exported grain and grain products by charging higher prices in the home market. The Grain Purchasing Bureau continued, however, to be the administrative agency through which the Government intervened in the grain trade. The new law made statutory provision for the higher cash ratios in the bureau's grain-purchase prices already enforced by the bureau since July; extended the purposes for which the tax bonds employed in purchasing cereals could be used, and provided for certain minor changes in the directorship of the bureau, its revolving fund, and the agencies that it could use in handling cereals. The following discussion of the powers and the operations of the bureau under the monopoly regime is divided into two sections: (1) Legal provisions, including prices, conditions of purchase and sale, and methods of control; and (2) statistics of the operations of the bureau during the fiscal year July 1931 to June 1932. The statistics are treated separately in order to avoid any confusion. It will be noted that the period actually covered by the figures is 12 months in length in contrast with the period of 8 months to which the existence of the monopoly was in fact limited. The statistics, originally prepared on the basis of a crop year, have been presented in this form because they furnish a sufficient basis for valuable conclusions. It may indeed be said that the monopoly regime of the Grain Purchasing Bureau, although in fact not begun until October 1931, to some degree extends back to July, at which time the wheat crop year began; much of the grain marketed during this period obviously was handled under the monopoly regime. Under such conditions the 12-month basis may even be considered more appropriate than the 8-month basis.

(1) *Legal provisions, including prices, conditions of purchase and sale, and methods of control.*—The monopoly control of cereals provided for in the new law was carried out by the Grain Purchasing Bureau on the basis of a series of orders which were prepared by the directors of the bureau and approved by the Bulgarian Council of Ministers. The first of the orders definitely establishing the monopoly control over the wheat and rye trade was issued on October 19, 1931, the rest following immediately thereafter. The orders outlining the monopoly regime gave the bureau the exclusive right to purchase wheat and rye in the surplus-producing districts of the country, and made it unlawful for flour to be sold unless it was produced from wheat purchased or controlled by the bureau and ground in mills authorized by the bureau.

Under the new legislation, the Government continued to purchase wheat with a hectoliter weight of 76 kilos (59 pounds per bushel) and containing no rye or other foreign matter, at 3.4 leva per kilo (67 cents a bushel); and to purchase rye with a hectoliter weight of 73 kilos (56.7 pounds per bushel) and no foreign matter other than wheat, at a price of 2.6 leva per kilo (48 cents a bushel). The same minimum grades of wheat and rye as had previously been acceptable to the bureau were maintained for a time, but after November 20 the bureau began to accept grain of much lower qualities. Wheat with a hectoliter weight as low as 70 kilos (54.4 pounds per bushel), and with as much as 45 percent of rye and 10 percent of other foreign matter, and rye with a hectoliter weight as low as 68 kilos (52.8 pounds a bushel) and with 20 percent of wheat and 10 percent of other foreign matter, became acceptable after that date.

Under the monopoly regime the bureau had the exclusive right to sell wheat and rye for internal consumption. Such sales in the case of wheat were at first made on the basis of 4 leva per kilo (77 cents a bushel) for wheat with a hectoliter weight of 76 kilos (59 pounds per bushel), with 8 percent of rye, and 3 percent other foreign matter permitted, but on November 4 the standard was raised to exclude rye and other foreign matters completely at this price. Rye sales were made on the basis of 3.3 leva per kilo (61 cents a bushel) for rye with a hectoliter weight of 73 kilos and no foreign matter (other than wheat). The sale price adjustments of grain differing in quality from the above standards were made on the same percentage basis as were the purchase price adjustments. In the case of wheat, a price adjustment of 0.4 lev per kilo (7.84 cents a bushel) of 60 pounds was made for each kilo

of difference in hectoliter weight or point of difference in foreign matter content, and an adjustment of 0.2 lev per kilo (3.66 cents a bushel of 56 pounds) was made for each point of difference in rye content. Adjustments in the case of rye were 0.33 lev per kilo (6.04 cents a bushel of 56 pounds) for differences in both hectoliter weight and foreign matter content.

All sales of wheat and rye made by the bureau were to be registered on stock exchanges. Sales for export had to be registered on the stock exchange located at the point where the grain was delivered for export, and the purchaser of the grain was to be required to pay the stock exchange a brokerage fee equal to 2 percent of the value of the transaction. All sales for home consumption were to be registered at the Sofia Stock Exchange, but the brokerage charges obtained for such sales, at a rate of 1 percent of the value of the transactions, were to be proportionally distributed among the different stock exchanges of the country.

All mills, bakeries, and grain and flour dealers were required to declare the exact quantities of wheat, rye, and wheat and rye flour that they had on hand when the monopoly law went into effect. Committees were appointed by representatives of the bureau in each community to ascertain the correctness of the declarations, and to prepare detailed reports covering the stocks in each community. Mills were not allowed to operate during this period and all commercial transactions were prohibited until the declaration had been made and verified by a committee.

In all cases where the declared stocks of cereals and flour were destined for sale in any form, the holders of such stocks were required to pay to the bureau the difference between the purchase price and the established wheat and rye sale prices of the bureau, or to deliver the cereals, in the case of wheat and rye, to the bureau at a price equal to the price which they paid for them plus 0.1 lev per kilo in the form of an interest payment to the declarer. In cases where declarers of wheat or rye paid the bureau the difference between the purchase price of the grain and the sale price of the bureau, the declarer was required to have the wheat or rye ground in a mill authorized by the bureau and under the control of a representative of the bureau.

When the monopoly was first established, the purchase prices of the declared stocks and the price differences that were paid to the bureau were fixed on the basis of data shown in the commercial books of the declarer, or if such records were not available, on the basis of existing market prices. In the case of flour, the difference in price was calculated by assuming that 76 kilos of flour could be produced from 100 kilos of wheat. But in November 1931 the above ruling in regard to establishing prices was changed by a new order which definitely fixed the prices at which the bureau would purchase the declared stocks and the price differences that the declarers had to pay in cases where delivery was not made to the bureau. The established prices at which all declarers except custom mills were required to deliver their wheat and rye to the bureau were as follows: (1) Purchases for all wheat stocks within the deficit producing regions of the country were to be made on the basis of 3.1 leva per kilo (60 cents a bushel) for wheat weighing 76 kilos per hectoliter (59 pounds per bushel) with no rye, and no other foreign matter; (2) purchases of wheat of the same quality in the surplus-producing areas of the country were to be made at 2.8 leva per kilo (54 cents a bushel of 59 pounds); (3) purchases of rye at any place in the Kingdom were to be made on the basis of 2 leva per kilo (37 cents a bushel) for rye weighing 73 kilos per hectoliter (56.7 pounds per bushel) with 3 percent wheat and 3 percent foreign matter.

In the case of wheat and rye stocks declared by custom mills (wheat and rye obtained as payment for custom grinding) the purchases were to be made on the basis of the bureau's established prices for purchases from producers, i.e., 3.4 leva per kilo (67 cents) for 59-pound wheat having no rye and no foreign matter, and 2.6 leva per kilo (48 cents a bushel) for rye weighing 73 kilos per hectoliter (56.7 pounds per bushel) and having no foreign matter other than wheat. In cases where custom mills were permitted to grind for sale the wheat obtained as payment for custom grinding, they were to pay a price difference of 0.9 lev per kilo (18 cents a bushel of 60 pounds). No provision was made for rye in the case of custom mills. It will be recalled that 70 percent of these prices was paid in cash, and 30 percent in taxation bonds.

The established price differences that were to be required of declarers other than custom millers in cases where the declarer was to convert his wheat or rye into flour were as follows: (1) For wheat within the deficit producing

area of the country, 0.5 lev per kilo (9.8 cents a bushel of 60 pounds); (2) for wheat in surplus producing regions, 0.90 lev per kilo (18 cents a bushel of 60 pounds).

The established price differences that were to be required of declarers of flour were as follows: (1) For flour within the deficit producing areas of the country—flour numbers 0, 1, 2, 3, and extra fine flour, 0.6 lev per kilo (20 cents a 100 pounds) and flour numbers 4 and 5, 0.3 lev per kilo (10 cents a 100 pounds); (2) for flour in the surplus producing areas of the country; flour numbers 0, 1, 2, 3, and extra fine flour, 1.1 lev per kilo (36 cents per 100 pounds) and flour numbers 4 and 5, 0.5 lev per kilo (16 cents a 100 pounds).

All flour sold by either commercial or custom mills was to be sold in bags containing 60 kilos, labeled in accordance with instructions given by the bureau and sealed with a lead disk imprinted with the seal of the bureau. The sale price of flour was not fixed at a definite value, but the bureau was given power to control and fix prices whenever they did not conform with its sale prices for grain.

The milling industry of the country was brought under the direct control of the bureau. All the mills were classified as commercial or custom mills. The term "commercial mills" was applied to all mills that sold flour and purchased grain from or were controlled by the bureau. Such mills were not permitted to do custom grinding, except for the bureau or by its order. All mills that desired to work as custom mills were required to report such intentions to the bureau within 5 days from the issuing of the order which provided for the classification of the mills (Oct. 19, 1931), and all mills that did not declare such intentions were to lose the right to be classed as commercial mills. The term "custom mills" was to include only mills that would be allowed to grind only for the home consumption of individual persons. In special cases custom mills were allowed to produce flour for sale, but in all such cases the approval of the bureau had to be secured in advance.

The control of commercial mills was to be under the direct supervision of the bureau and was to be carried out by means of controllers appointed by the bureau. One controller was to be appointed for each of the large commercial mills, whereas several small commercial mills in the same vicinity could be placed under one controller. These officials were to receive their salary directly from the bureau, the funds necessary for paying the salaries being collected by the bureau from the mills. The controllers were to remain on duty at the mills, watch the operation and transactions of the mills, and audit the books of the mills.

The control of custom mills by the bureau was to be carried out through the mayors of the districts in which the mills were located. In cases where individuals wished to have wheat or rye ground at a custom mill they first had to obtain a permit from the mayor specifying the quantity to be ground. A stub of this permit was retained at the mayor's office, and when the individual had the licensed quantity ground at the custom mills the permit was to be delivered to the miller in exchange for a certificate which stated the quantity that had been ground. The custom millers were also required to keep detailed records showing the permits received and quantities ground, such records being subject to the inspection of the mayor or authorized municipal authorities. After the grain had been ground the miller was required to accompany the person to whom the permit was issued to the mayor's office and sign the stub of the permit. In special cases when custom mills were permitted to produce flour for sale from the wheat they received as payment for custom grinding the miller was first to declare to the mayor of his community the stocks that he wished to grind. Upon receipt of this declaration the quantity declared had to be verified by the mayor. After verification the mayor was required to issue a grinding permit to the miller, which was to become valid as soon as the miller paid the bureau an amount equal to 0.9 lev per kilo on the stocks of wheat that he wished to grind for sale as flour. (No specification was made in the case of rye.) After the 0.9 lev per kilo payment to the bureau had been made the mayor was required to request from the bureau the necessary labels to be placed on the flour produced. These labels were to be delivered to the miller after he had paid for their cost, and the mayor was responsible for reimbursement to the bureau.

(2) *Statistics of the operations of the bureau during the period July 1931 to June 1932.*³—Figures for 1931–32 are given in detail in the next table, and in

³ This subsection and sections *c* and *d* immediately below and topic no. 6 are based largely upon information received after August 1932.

summary form in a third table along with a summary for the earlier period. January to June 1931, for purposes of comparison. During 1931-32 almost 6,000,000 quintals (about 21,000,000 bushels) of grain was taken in by the bureau; this was twice the amount handled in the earlier period. Wheat constituted a larger percentage of the grains handled, being 85 percent in 1931-32, as compared with 60 percent in 1931. The effect of control over the domestic trade in cereals is seen in the much increased sales at home, 1.2 million quintals (5.4 million bushels), as compared with 30,000 quintals (110,000 bushels). Exports showed an increase, too, but not to a corresponding degree; the figures are 3.7 million quintals (13,000,000 bushels), as compared with 2.4 million quintals (8.8 million bushels). Year-end stocks were much increased, from 80,000 quintals (294,000 bushels) to 717,000 quintals (2.6 million bushels). Expenditures rose in accordance with the increased volume of operations from a figure of 766,000,000 leva (\$5,500,000) to almost 2,000,000,000 (\$13,600,000). With the ratio of cash payment for grain to payment in the form of tax credits rising from 1.24 to 1 to 3.67 to 1, the expenses per unit of grain handled also increased. But at the same time, owing to the monopoly selling price, also increased by almost the same relative amount. As a consequence the loss obtained by the bureau during the latter part of the 1931-32 crop year, receipts per unit in the 1931-32 period varied but little from that of the earlier one; the net loss (considering tax credits as worth 64 percent of face value) was 55 leva per quintal (11 cents per 60 pounds) in the later period, as compared with 64 leva (12.5 cents per 60 pounds) in the earlier.

Bulgaria: Operations of the Grain Purchasing Bureau from July 1931 to June 1932: volume and value of purchases and sales

Commodity	Total purchases			Total disposition ¹			Loss		
	Quantity	Average price	Value	Quantity	Average price	Value	Loss per bushel	Total loss	Percent of investment
	<i>Thousand bushels</i>	<i>Cents per bushel</i>	<i>Thousand dollars</i>	<i>Thousand bushels</i>	<i>Cents per bushel</i>	<i>Thousand dollars</i>	<i>Cents</i>	<i>Thousand dollars</i>	<i>Percent</i>
Wheat.....	18,302	62	11,433	18,302	50	9,245	12	2,188	19.1
Rye.....	1,890	44	834	1,890	36	686	8	148	17.8
Corn.....	390	47	182	390	39	151	8	31	17.1
Barley.....	992	41	406	992	36	357	5	49	12.0
Oats.....	21	26	5	21	26	5	-----	-----	-----
Millet.....	386	53	205	386	36	137	17	68	33.0
Total.....	21,981	-----	13,065	21,981	-----	10,581	-----	2,484	-----

Disposition of purchased grain

	Sales for export			Sales for home consumption			Carry-over		
	Quantity	Average price	Value	Quantity	Average price	Value	Quantity	Average price	Value
	<i>Thousand bushels</i>	<i>Cents per bushel</i>	<i>Thousand dollars</i>	<i>Thousand bushels</i>	<i>Cents per bushel</i>	<i>Thousand dollars</i>	<i>Thousand bushels</i>	<i>Cents per bushel</i>	<i>Thousand dollars</i>
Wheat.....	10,788	40	4,280	5,078	76	3,938	2,436	42	1,026
Rye.....	1,724	35	609	71	59	42	94	37	35
Corn.....	339	38	130	51	40	21	-----	-----	-----
Barley.....	648	36	231	207	40	83	138	31	43
Oats.....	-----	-----	-----	21	26	5	-----	-----	-----
Millet.....	378	35	133	8	46	4	-----	-----	-----
Total.....	13,877	-----	5,383	5,436	-----	4,093	2,668	-----	1,104

Source: Total quantities purchased, sales for export, sales for home consumption, and carry-over obtained from the Bulgarian Grain Purchasing Bureau.

¹ Represents sum of sales for export, sales for home consumption, and carry-over.

Bulgaria: Summary and financial balance of operations of the Grain Purchasing Bureau, crop years 1930-31 and 1931-32

(1) VOLUME OF TRADING

	January to June 1931		July 1931 to June 1932	
	<i>1,000 quintals</i>	<i>1,000 bushels</i>	<i>1,000 quintals</i>	<i>1,000 bushels</i>
Purchases.....	2,512	9,607	5,877	21,981
Sales:				
Exported.....	2,402	9,195	3,697	13,877
Domestic.....	30	112	1,463	5,436
Carry-over.....	80	296	717	2,668

(2) ESTIMATED VALUE OF TRANSACTIONS

	January to June 1931		July 1931 to June 1932	
	<i>1,000 leva</i>	<i>1,000 dollars</i>	<i>1,000 leva</i>	<i>1,000 dollars</i>
EXPENDITURES				
Total.....	765,687	5,513	1,895,523	13,648
Total cash outlay.....	459,488	3,308	1,447,559	10,422
For grain, in cash ¹	384,352	2,767	1,270,173	9,145
Freight, commissions, etc.....	75,136	541	177,386	1,277
For grain, in tax credits (discounted by 36 percent) ¹	306,199	2,205	348,000	2,506
RECEIPTS				
Total.....	603,625	4,346	1,469,638	10,581
Sales.....	585,369	4,215	1,316,173	9,476
Carry-over.....	18,256	131	153,465	1,105
Cash gain ²	144,137	1,038	22,079	159
Estimated loss ³	162,000	1,166	326,000	2,347

¹ The ratio of the value of cash payments to the value of tax credits (discounted) was 1.24 to 1 in 1931 and 3.67 to 1 in 1931-32.

² Total receipts less total cash outlay.

³ Consists of total expenditures (including the bonds taken at their discounted value) minus total receipts. The loss per unit was as follows: Per quintal, 64 leva in 1931; 55 in 1931-32; per 60 pounds, 12.5 cents in 1931; 10.8 cents in 1931-32.

(c) *Significance to the producer of the grain-purchasing activities of the bureau.*—There is difference of opinion whether in the last analysis the function of the bureau was predominantly of a price-supporting or of a tax-abatement character. In some well-informed quarters it is maintained that the payments made by the bureau to producers really constituted exemption from taxes rather than a better-than-world-parity price. From the standpoint of farm relief the question is, of course, purely a technical one, for in its essence the function of the bureau under either interpretation was to maintain or increase the farmer's net income.

It is therefore pertinent to note that the tax-credit bonds were commonly regarded as being worth less than their face value. In not a few cases where taxes had been in arrears for periods as long as a generation, payment could hardly have been regarded by the farmers as a significant gain. At first, when the tax bonds had no value except for the payment of old taxes that had been in arrears up to 1924, for the double land tax from 1925-26 to 1930-31, and for the double income tax of trade corporations, the tax bonds were not readily accepted by grain producers. To make the bonds more acceptable, the Government, soon after the establishment of the bureau, made the bonds redeemable for certain taxes paid by small merchants and artisans who dealt with grain producers. Even then the tax bonds remained legally nontransferable until the original recipient had paid his taxes in full. It is reported that the tax bonds, when transferred to others as a means of payment, were sold at a considerable discount, the amount of the discount running as high as 50 percent. In general it is said that the tax-credit bonds were commonly regarded as being worth less than their face value. A careful estimate (used in the table above) places the average value of the tax-credit bonds at about 64 percent of their face value.

(d) *Stabilization operations, effective July 1932, supplanting the monopoly.*—The beginning of the new wheat crop year of 1932–33 ushered in a radical change in the character of the activities of the Bulgarian Grain Purchasing Bureau. Of the several factors that induced the change, two may be cited as outstanding. The first was the heavy drain on the national treasury resulting from the high fixed payment to the growers; this factor worked for the discontinuance of the high fixed prices. The second was the much altered trade position of Bulgaria, which now appeared to have a very small export surplus as a consequence of much diminished cereal harvests; this factor made it possible to undertake some scheme of market operations for bolstering prices other than the expensive one of outright monopoly. Effective July 21, the monopoly control of the bureau over the national cereal trade was abolished. The bureau was definitely forbidden to purchase rye, corn, or barley and the monopoly with regard to wheat was replaced by stabilization operations to be conducted during the marketing year 1932–33, terminating legally on June 30, 1933. When the internal price of wheat fell below 2.7 leva per kilo (52 cents per bushel), the bureau would begin to purchase wheat at this price. This price applied to wheat of standard quality f.o.b. Varna or Bourgas, weighing 76 kilos per hectoliter (59 pounds per bushel) and containing no more than 0.5 percent of shriveled grains and no rye or foreign matter. Price adjustments would be made for wheat of different qualities or delivered at different shipping points, but a minimum quality for acceptance by the bureau was definitely specified. It is noteworthy also that payments by the bureau would be only in the form of cash in contrast to the former policy of payment partly in cash and partly in tax-credit bonds. Although, as formerly, the bureau was empowered to sell both on the domestic and on the export market, it was expected that the bureau would sell for export all of the wheat that it purchased.

A source of revenue was provided under the new system in the form of a bread stamp-tax imposed on all sales of bread. The rate of the tax is 1.6 leva per kilo (0.52 cent per pound) and 1 leva per kilo (0.33 cent per pound) on dark bread. A tax on flour also was reported as under consideration.

2. *Export premium on corn.*—In connection with its handling of the 1931–32 corn crop the Grain Purchasing Bureau (above discussed) was authorized, until April 1, 1932, to pay an export premium on corn exported by private dealers, and was required to purchase corn from producers when the local price fell below a price equal to the world market price plus the export premium minus shipping and handling charges. Up to March 1, 1932, the premium amounted to 0.5 lev per kilo (about 9 cents a bushel); for the first half of the month of March it was 0.3 lev (5.49 cents a bushel); and for the latter half it was but 0.15 lev (2.74 cents a bushel). The export premium on corn was not to be paid except on corn of standard commercial quality having a moisture content below 18.6 percent. Persons who expected to receive premiums on the corn exported were required to obtain an export premium order from the bureau for the quantity of corn that they intended to export. The corn had to be loaded under the control of customs authorities and representatives of the bureau, the export premiums being withheld until the corn had definitely been loaded. This measure was reported to have been effective in raising internal prices.

3. *Government price-fixing and regulation of production and trade in sugar.*—The sugar beet and beet sugar industry of Bulgaria is subject to direct governmental control. Beet prices, sugar prices, and beet area are regulated by a law which became effective on April 1, 1932. The factories were given until April 5 to sign contracts with the Government fixing beet and sugar prices, beet plantings, and sugar distribution. The price of beets was set at 600 leva per metric ton (\$3.92 per short ton). The price of sugar was set at 22 leva per kilo, wholesale (7.18 cents per pound). A specific acreage to be sown to beets was allotted to each factory, as was also a specific quota for inland deliveries of sugar. The total of beet sowings is adjusted so that if normal conditions obtain the annual sugar output will be about equal to the annual consumption. Imports of sugar are prohibited until the supply of the home-grown product is exhausted. Surplus sugar must be exported by the factories. The new Government control replaced a sugar cartel which was dissolved by the Government on March 18, the dissolution making it necessary for factories to sell their sugar individually. The cartel had done the same sort of thing that the Government now is undertaking.

4. *Aid to cooperative marketing and intervention by the Agrarian Bank.*—The Bulgarian Agrarian Bank, a state institution, supplies the finances of the

cooperative agricultural societies of the country and acts as their auditing center. The Government exercises a considerable measure of control, through the bank, over the economic activities of the societies. In the case of at least two commodities the Agrarian Bank intervenes in marketing. It collects silk cocoons from cooperative societies and sells them on commission through its depots and, according to unofficial sources, actually regulates the volume of output of essence of roses, both of these activities being for the purpose of price maintenance.

5. *Import tariff.*—Although Bulgarian tariff policy is traditionally protectionist in character, but little protection is afforded to agriculture through tariffs, inasmuch as most of the agricultural production is on the basis either of self-sufficiency or of export. The most important agricultural imports are cotton, wool, cattle and buffalo hides, olives, and coffee. Rates of duty are as follows: On cotton, 8 percent ad valorem; on green olives, 12 gold leva per quintal (3.9 cents per 100 pounds); on cattle hides and skins, 20 to 30 leva per quintal (6.5 cents to 9.8 cents per 100 pounds); on hides and skins of other animals, 200 leva per quintal (65 cents per 100 pounds); on coffee, 150 to 200 leva per quintal (49 cents to 65 cents per 100 pounds). These rates are the basic rates and are to be multiplied by an official coefficient, usually 20, for conversion to paper leva. Import duties on most other agricultural products are only nominal, inasmuch as Bulgaria is a net exporter of them. The duty on wheat, amounting to about 32 cents a bushel plus an octroi tax of 20 percent, is important, however, as a necessary adjunct to the maintenance of high internal prices by artificial means, and the same is true in connection with the duties on other cereals which Bulgaria exports. As was noted in section 3 above, the importation of sugar was recently prohibited.

Late in 1931 Bulgaria withdrew a legal provision under which raw materials and semimanufactures required for native industries, etc., could be imported at a uniform duty of 3 percent ad valorem, and raised the duties to levels ranging from 8 to 25 percent ad valorem.

6. *Securing foreign markets through preferences.*—Bulgaria has participated in the conferences held among the Danubian countries for the purpose of furthering a common cereal marketing program. (See ch. VII for discussion of concerted economic action in the Danube Basin.) Through her central grain marketing organization she entered into an agreement with the similar organizations of Rumania and Yugoslavia to keep one another informed daily as to their sales prices in order that the prices in the three countries might be maintained approximately at the same level.

Bulgaria has also engaged in bilateral arrangements. On June 24, 1932, a treaty of commerce and navigation with Germany was signed containing the following preferential rates for Bulgarian cereals:

Wheat, 75 percent of the current prevailing general tariff rate.

Corn, 40 percent of the current prevailing general tariff rate.

Barley, for livestock feed, 50 percent (on proof of the purchase of domestic barley, potato flakes, or other agricultural products, or byproducts, or several of these products, in a proportion to the quantity of barley to be imported, to be determined by the Ministry of Agriculture in agreement with the Ministry of Finance).

Barley, other, 50 percent of the current prevailing general tariff rate.

The reduction accorded on wheat was from 25 reichsmarks per quintal (\$1.62 per bushel) to 18.75 reichsmarks (\$1.22 per bushel); on wheat flour, from 43.17 reichsmarks (\$4.66 per 100 pounds) to 32.38 reichsmarks (\$3.50 per 100 pounds). Reports as late as January 1933 indicated that the preferences were being held in abeyance awaiting approval by other countries having most-favored-nation treaties with Germany.

CANADA

Aid and encouragement to the farming industry has inevitably been a matter of important concern to the Government of Canada for many years, owing to the predominance of agriculture in Canadian economy. Until comparatively recently, however, almost all of this aid had taken the form of measures designed to encourage new and low-cost production and to reduce marketing costs or otherwise facilitate marketing. Aside from tariffs, which could be effective only for a limited range of agricultural products, little was done in the way of adoption of price-boistering measures. During the last 2 or 3 years, however, more direct measures of Government support have come into

operation. These have been evidenced especially in (a) the direct intervention of the Government in marketing of the wheat crop, including, for 1931-32, a direct bounty to the growers; and (b) a distinct tightening of restrictions on imports of agricultural products. The recent sweeping adoption of the principle of imperial preference by the United Kingdom is another development of importance to Canadian agriculture because of the special protection which Canadian producers now enjoy in the British market.

1. *Production bounty and other government aid in marketing wheat.*—A measure authorizing the payment of 5 cents a bushel for every bushel of wheat grown in the Provinces of Alberta, Saskatchewan, and Manitoba during 1931, and delivered to any licensed elevator, commission merchant or grain dealer before July 31, 1932, became a law in Canada on August 3, 1931. The law was enacted by the Canadian Parliament in order to give some measure of relief to wheat growers. The act expired on July 31, 1932. The regulations were so drawn as to provide that only the actual grower of the wheat should receive the bonus.

The law authorized all persons operating a licensed elevator in the three Prairie Provinces, and all commission merchants, track buyers, or grain dealers, licensed under the Canada grain act, to issue bonus certificates on all 1931 crop wheat delivered by the producers in those Provinces. These certificates were to be made out in triplicate by the person issuing them. The original was issued to the grower, one duplicate was forwarded to the Board of Grain Commissioners for Canada, and one duplicate was retained by the person issuing it. The Board of Grain Commissioners for Canada redeemed the bonus certificates out of funds deposited to its credit by the Minister of Finance.

When the producer delivered his wheat he had to make a declaration certifying that the quantity of wheat in question was grown by him as owner or tenant during 1931. He also had to specify the section, township, and meridian of the land where the wheat was grown. This declaration was made on the back of the bonus certificate. When properly endorsed by the grower and signed by the agent issuing it, the bonus certificate became negotiable without charge at any branch of a chartered bank in Canada.

The law also provided that the bonus and the bonus certificate would not be subject to any garnishment, seizure, attachment, or execution by any legal process whatsoever. No person could receive or accept any bonus certificate or the payment of any bonus except the actual grower of the wheat in respect to which the bonus was to be paid. In the event that any dispute arose as to the person entitled to receive the bonus the matter was to be settled by the Board of Grain Commissioners after due investigation.

The payment of the bonus was but one manifestation of a trend toward increasing government intervention in the marketing of the wheat crop which had begun after the collapse of wheat prices in 1929. This trend is associated with the system of voluntary pool marketing of wheat which had been established earlier in the prairie provinces—a system inaugurated under wholly private auspices but in which the Provincial and Dominion Governments have been compelled to intervene increasingly owing to the critical position wrought by the catastrophic decline of prices.

For some years the wheat farmers of western Canada have been operating voluntary wheat pools. There are three large pools, one in Saskatchewan, one in Alberta, and one in Manitoba. The three pools jointly maintain a central pool which, however, is merely a sales and intelligence service. Under the pool system a farmer on delivering his grain receives an initial payment. The balance is paid after the pool has disposed of the whole crop and has determined the final price. The purpose of the pooling system is to meet concentrated buying with concentrated selling and, by the elimination of speculative trading, to effect the most direct and the cheapest exchange between producer and consumer. The pool was financed by a joint credit given by the seven chief banks of Canada, on provision that the market value of the grain held by the pool should at all times exceed by 15 percent the total outstanding indebtedness of the pools to the banks.

The system worked satisfactorily from 1923 to 1929. During that period the pool successfully handled more than a billion bushels of wheat, distributed more than \$1,740,000,000 among pool members, developed a 95,000,000-bushel elevator system, and established a direct export business. The sudden collapse of world commodity prices at the end of 1929 was not, however, foreseen by the pool, and a period of growing adversities set in. The advance payment made to members in the fall of 1929 was \$1 a bushel, but prices fell promptly,

and before long were below \$1 a bushel. The pools had borrowed from the banks to make the first payment and found themselves unable to pay it back. To prevent a forced liquidation of the huge store of pool wheat the provincial governments guaranteed the bank loans.

This marked the first direct government participation in the activities of the pool. To protect the provincial governments, security is held on the assets of the pool and pool elevators. Each of the three provincial wheat pools has an extensive system of elevators which have been mortgaged to the provincial governments as security for their obligations. In turn the provincial governments have given the banks 20-year bonds bearing interest at 4½ percent. The pools will make annual payments to the provincial governments during the 20-year period until the debt is written off and during the same time the provinces will retire their bonds held by the banks.

The Dominion Government itself has participated directly in the activities of the Canadian wheat pools since the 1929-30 crop. As negotiations were going on with the provincial governments regarding financing the debts contracted as a result of overpayments on the 1929 crop, pressure was being brought to bear upon the Dominion Government to exert its influence in behalf of the pools during 1930 and 1931. As a result of these efforts the Dominion Government agreed to assume the financial responsibility of the pools during the 1930-31 season and appointed a general manager of the central selling agency of the pools. The Dominion Government's guarantee of the advances made by the banks to the wheat pools during the 1930-31 crop year served its purpose without loss to the Dominion Treasury.

The Dominion Government continued its backing of the wheat pools during the 1931-32 crop year. In the second week of August 1931 the Prime Minister announced the Government's policy with respect to wheat marketing whereby the Dominion Government was to guarantee the financing of the three provincial wheat pools. This arrangement entailed the discontinuance of the central selling agency as far as the 1931-32 crop was concerned and the adoption of an individual selling policy by each of the provincial pools. The central selling agency remains, but its transactions are limited to those connected with the 1929 and 1930 crops. The pool contract was waived and members were given the choice of selling their wheat on the basis of an initial payment of 35 cents a bushel (grade no. 1, Fort William), or of having it handled by their pool in the same way that it would be handled were it delivered to a private company. In other words, each provincial pool operates its own elevator system, as formerly, but offers a daily cash purchase service to farmers in addition to accepting wheat for pooling. The Dominion Government undertook to support the orderly marketing of all of the wheat held by the central selling agency of the provincial pools; and in addition it adopted the bonus of 5 cents a bushel to which reference has already been made.

In announcing its intentions in connection with pooling operations in 1931-32, the Government explained that: "A complete cut-off has been made from previous years' operations and a settlement arranged as between the pools, the provincial governments, and the banks. Members of the pool and farmers generally desiring to do so may therefore patronize the pool elevator facilities with complete assurance that their grain will be dealt with as a separate crop and without in any way being liable for any debts or obligations of past years."

The financial backing of the provincial pools by the Dominion during the 1930-31 and 1931-32 crop years was necessitated by the fact that the assets of the pools, usually pledged against bank advances, were already encumbered through the previous arrangement for paying off the debts contracted during the 1929-30 crop year for which the provincial governments had stood as guarantors. The final figures of the liabilities of the three Provinces on account of the wheat pool guarantees were officially announced, on December 3, 1931, as totaling \$22,217,302, of which \$3,374,940 was for Manitoba, \$13,305,655 for Saskatchewan, and \$5,536,707 for Alberta.

Wheat marketing developments in 1932-33.—(a) Production bounty discontinued: The bonus of 5 cents a bushel on wheat produced and marketed in the three Canadian Prairie Provinces of Alberta, Saskatchewan, and Manitoba during the period August 1, 1921, to July 31, 1932, was not continued for the 1932-33 marketing year. The prairie farmers again in 1932 vigorously petitioned the Government to continue the bonus, but this request was not granted.

Factors involved in the refusal to continue the bonus appeared to be (1) the financial outlay necessary—the 1932 Canadian wheat crop was nearly 40 percent larger than the 1931 crop; (2) the adoption of hedging operations which it was believed would be fully as effective as the bonus in assisting farmers but would not involve such large governmental expenditures; (3) the inequitable features of the bonus—with a bumper wheat crop in 1931 the farmer was especially benefited by not only having the usual proceeds from the sale of the crop but a bonus as well, while the farmer with a poor crop received only a small return from the sale of the crop and in turn a very small, if any, bonus; (4) furthermore, the bonus, instead of reducing grain acreage, increased it and the large 1932 crop assisted in further depressing prices.

(b) Hedging operations: Somewhat as an alternative to the production bonus scheme used during the 1931–32 season, price stabilization efforts by the promotion of hedging operations were carried on to some extent during the summer and fall of 1932 by the Government through the central sales organization of the pool. A substantial share of the farm marketings are made during the summer and fall months and it was believed the benefit of a somewhat higher and more stable market price for producers would be as great or greater than a production bonus and would not involve as large a financial outlay.

Under normal conditions speculators and investors buy grain futures sold by buying agencies as a hedge against farm purchases. The absence, however, of speculators and the limited operations of investors (milling companies) left the selling agency of the pool, supported by the Government, as the only organization to make hedging possible and prevent unusual price declines. The Dominion Government therefore agreed to guarantee loans made by banks to the selling organization of the pool in order to carry on the hedging operations on the Winnipeg Grain Exchange. It appears, however, that such operations were suspended, at least temporarily, in October, and as a result prices declined.

(c) Shipment of wheat across the United States: The question of Canadian wheat shipped to the United Kingdom via the United States being granted empire preference is still unsettled. Two so-called “trial shipments” have been made and both were refused empire preference consideration. In each case it has been stated by British customs authorities that adequate proof was not supplied showing “a definite and through consignment” of wheat which is necessary to obtain the tariff immunity. In the first instance the “Laconia case”, it appears that no definite consignee in the United Kingdom was designated and in the second shipment the necessary proof of the identity of the original wheat seemed to be lacking.

(d) Transportation: A rail rate reduction of about 20 percent is reported being requested for grain and grain products by several millers’ associations and grain exchanges and is now under consideration. The reduction would apply to the all rail and the lake and rail routes from Fort William and Georgian Bay to Ontario, Quebec, New Brunswick, and Nova Scotia.

2. *Import restrictions.*—Canada has repeatedly increased her tariff duties on both agricultural and industrial products in recent years. Notwithstanding that Canada’s agriculture is, generally speaking, on an export basis, she is on an import basis for a considerable range of agricultural products, and the duties which she imposes on some of these products are significant as a means of support for prices in the home market. For example, for the fiscal year ending March 31, 1930, analysis of the figures indicates that she imported, for consumption, from the United States alone, some \$118,534,000 worth of agricultural products grown on American farms. Of these, \$50,202,000 worth were dutiable, and \$68,351,000 worth (including raw cotton) were free. Since that time new items have been added to the dutiable list, so that perhaps half the imports are now dutiable.

A review of the outstanding changes in rates on agricultural products since 1930 will indicate the recent trend with respect to import restrictions. In May 1930 the most extensive revision of the Canadian tariff since 1907 was accompanied by increased customs charges on fresh, canned, and dried fruits; fresh and canned vegetables; grains and milled products; meats, egg products; and various miscellanies—altogether a trade of which the aggregate value of the imports from the United States in 1929 amounted to over \$29,000,000. This action was followed later in the year by a series of administrative orders still further increasing the duties on agricultural products. On June 2, 1931, another revision of the Canadian tariff, affecting some 180 items out of a total of about 800, went into effect. Among the items on which the duties were increased were a very considerable list of agricultural products, in raw or in processed

form; live hogs, fresh, canned, and cured meats; eggs, cheese; powdered milk; hops; corn; rice; starches; straw and hay; a varied list of field crop and garden seeds; canned vegetables and fruits of various kinds; prunes; raisins; dates; figs; and oranges.

On November 25, 1932, further changes were made in the tariffs but these amendments included very few important agricultural export items of the United States. The general tariff rates which apply to the United States were raised on (a) butter produced from the cocoa bean from 2 to 3 cents a pound; (b) on lime juice, fruit sirup, and fruit juices, from 22½ to 25 percent; (c) on male flour from 5 to 10 cents per pound; (d) on seed oils of cotton, palm, peanut, and coconut (described in detail in the tariff schedule) from a free status to 10 percent ad valorem. South African corn under the provisions of the bilateral treaty between Canada and the Union of South Africa is granted tariff immunity.

One of the unique features of Canadian tariff policy in recent years has been the practice, since September 2, 1926, of establishing official valuations on specified commodities, mostly fruits and vegetables, for the assessment of import duties. These official valuations have been used since that time not only as a basis for the collection of the ad valorem rates of import duty fixed by the Canadian Tariff Act, but also for collecting the duties authorized under the Canadian antidumping regulations. In general practice this system has been applied mainly during seasons of the year when Canadian products of the same type are coming on the market. As soon as the Canadian marketing season for such products is ended the fixed valuation scheme is dropped.

The maintenance of a system of official valuations for tariff purposes is authorized by section 43 (1) of the Canadian customs act, which provides as follows: "Whenever it appears to the satisfaction of the Governor in Council on a report from the Minister (of Customs and Excise) that goods of any kind are being imported into Canada, either on sale or on consignment, under such conditions as prejudicially or injuriously to affect the interests of Canadian producers or manufacturers, the Governor in Council may authorize the Minister to fix the value for duty of any class, or kind of such goods, and notwithstanding any other provisions of this act, the value so fixed shall be deemed to be the fair market value of such goods." This value is used as the basis for assessment of ad valorem and (special) dumping duties.

In regard to the assessment of special dumping duties section 6 of the Canadian tariff act provides that "in case of articles exported to Canada of a class or kind produced in Canada, if the export or actual selling price to an importer in Canada is * * * less than the fair market value thereof as fixed by the Minister under the provisions of section 43 (1) (above quoted), there shall, in addition to the duties otherwise established, be levied, collected, and paid on such article, on its importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the article for export and the said fair market value thereof or value for duty thereof; and such special or dumping duty shall be levied, collected, and paid on such articles although it is not otherwise dutiable: *Provided*, That the said special duty shall not exceed 50 percent ad valorem in any case."

Such fixed valuations have been fixed from time to time, but always during the months of the year when similar Canadian products were moving from the farm to the market, for a long list of agricultural products, including such items as fresh tomatoes, cabbage, carrots, cucumbers, parsley, radishes, lettuce, asparagus, rhubarb, onions, potatoes, spinach, green peppers, cauliflower, celery, beans, peas; live horses, cattle, sheep, hogs, chickens; fresh eggs, frozen eggs, dried, powdered, and desiccated eggs; and fresh apples, peaches, pears, apricots, cherries, raspberries, strawberries, cantaloups, muskmelons, plums, and grapes. In actual operation the value for duty purposes of any product to which sections 43 (1) and section 6 of the tariff act are applicable, is the declared invoice value plus the additional valuation fixed by the Minister of Customs and Excise. The duty, which in the case of many fresh vegetables is 30 percent ad valorem, is then levied on the basis of the valuation calculated as above indicated.

The significance of the various increases made in the duties on agricultural products in Canada in recent years varies, of course, among the different items. Some of the increases have applied to products which Canada does not produce at all; others to products of which she produces less than she consumes; and yet others to products of which she produces a large surplus for export. An im-

portant item in the general tariff revision of June 2, 1931, from the standpoint of American trade was oranges, which were transferred from the free to the dutiable list. Canada produces no oranges. The same is true of raisins, on which the duties were increased. On the other hand, so great is the home production of some products and so small the imports of others, as, for example, meats, livestock, cheese, etc., that it is doubtful whether the increased rates can much affect home prices. There remains, however, a considerable group of items on which the duties are presumably effective in relation to home-grown products. For example, the duties on various fruits and vegetables, such as carrots, peas, tomatoes, lettuce, cabbage, apples, pears, peaches, strawberries, etc., would tend to raise prices of home-grown products; and the same is true of corn, eggs, some of the various garden and field seeds, and some other products.

3. *Imperial preference.*—Canadian participation in the system of British imperial preference up until late in 1932 had enabled her to secure but minor preferences in other parts of the Empire for agricultural products which she exports; but with the recent turn in British tariff policy and adoption of the agreements growing out of the Imperial Economic Conference at Ottawa in July and August 1932, such preferences have been considerably extended, particularly in the British market.

(a) *Earlier developments.*—Canada has long been sympathetic toward the idea of imperial preference, having been the first of the British possessions to establish a system of preferential tariffs for products coming from other parts of the Empire. This policy, adopted in 1897, was not followed by the other dominions and colonies until several years later, and even then the principal was extended only to imports from the mother country. A resolution adopted at the Colonial Conference in London in 1902 had urged the extension on the part of the overseas parts of the Empire of substantial preferential treatment to the products of the United Kingdom, but it did not recommend the extension of this principle between other parts of the Empire. The mother country itself did not subscribe to the principle of according special preferences in the home market to the products of the overseas possessions until 1919. Since that time, however, there has been a gradually increasing application of the imperial preference idea not only between the mother country and the overseas possessions but also between the overseas possessions themselves.

Up until the signing of the Ottawa Agreements, Canadian farm products were not for the most part involved in the preferences extended to Canada by other parts of the Empire. Until quite recently the mother country has been definitely hostile to the general imposition of import restrictions on essential raw materials and foodstuffs, even though some of these could be admitted free or at greatly reduced rates from the overseas possessions. And as the other dominions are themselves large exporters of agricultural commodities, they have not been in a position to grant effective preferences on the great staples which comprise the bulk of Canada's agricultural exports. Canada had, to be sure, entered into special treaty arrangements with Australia, New Zealand, and the British West Indies whereby she had been able to secure some special treatment on a few agricultural exports; but in the main these treaties provided for special concessions to Canadian manufactured products in those markets in return for the specially low duties by Canada on imports therefrom consisting in the main of raw materials and agricultural products which Canada is compelled to import.

In the mother country preferences have been extended for several years to a limited range of agricultural products from other parts of the Empire (see United Kingdom) but most of these were on products which Canada did not export in quantity, if at all. For that reason it can be said that the only Canadian agricultural exports to which tariff preferences in the British market have been effective up until the signing of the Ottawa Agreements were tobacco and hops. The British preference on tobacco from Empire sources has indeed been a real stimulus to the Canadian tobacco export industry. In regard to hops, Canadian exporters have also undoubtedly benefited to some extent by the preference granted in the mother country, but the British demand for the type of hops grown in Canada is very limited.

The mother country adopted the principle of special preference to products from her overseas possessions when she granted, on September 1, 1919, a preference of five sixths of the existing duty on tea, cocoa, coffee, chicory, sugar, glucose, molasses, saccharin, articles containing sugar, dried fruits and tobacco. Wines were given a preference rate of 50 to 70 percent of the full rate depending on their proof content. Preferences are still being granted on

all of these products (except tea on which it is to be resumed with the budgetary proposals for 1932-33 restoring the duty on tea). The amount of the preferences has, however, been altered from time to time since 1919. In July 1925, a new duty was levied on hops with a preference of one third of the full duty to hops from Empire sources. With the adoption of a general policy of protection by the British Government late in 1931 and the subsequent enactment of the Horticultural Products (Emergency Duties) Act of December 11, 1931, and of the General Tariff Act (Import Duties Act) of March 1, 1932, the British preferential policy was greatly extended. Under the Horticultural Products Act the government levied seasonal duties on a long list of fruits, vegetables, and floricultural products. Imports from British Empire countries, however, were permitted to come in free of duty. Under the import duties act a general tariff was imposed on all imports from sources outside of the Empire, except on merchandise already subject to import duties and on certain items specifically exempted in the act. Canadian farmers, however, derived but little benefit from the new preferences granted either under the horticultural products or the import duties act, because such important Canadian export staples as wheat, livestock and meats, flaxseed, wool, and hides and skins were left on the free list.

In 1920, a new trade agreement was entered into between Canada and the British West Indies providing for preferential treatment by Canada on imports of West Indian products (mostly agricultural) and in return for preferential rates on a long list of articles imported by the British West Indies from Canada. This treaty was superseded by a new agreement dated June 15, 1926. Under this agreement Canada not only secures greatly reduced duties on all exports (other than tobacco, cigars, and cigarettes) to the British West Indies but also special preferential rates on such agricultural products as flour, apples, meats, butter, cheese, lard, potatoes, and condensed milk.

After the establishment of the Canadian preferences to Empire products in 1897, Canada repeatedly attempted to negotiate a reciprocal trade agreement with Australia; but she was not successful until 1925. In that year a limited agreement was drawn up under which Canada received preferences under the Australian tariff for certain of her manufactured products in return for lower Canadian rates to Australia on butter, wine, meat, fresh fruits, sugar, eggs, lard, raisins, currants, and other dried fruits. A new agreement superseding that of 1925 was negotiated in July 1931. By the terms of this new treaty Canada receives the benefit of the British preferential rates in the Australian tariff on a long list of manufactured products and the benefit of the Australian intermediate rates on another long list of manufactured products. Before the agreement most of the Canadian products shipped to Australia were dutiable under the general rates. In return for these concessions Canada granted to Australia her British preferential or lower rates on a long list of agricultural products. In the case of some products which are important in the export trade of Australia the margin of the Canadian preference as between the British preferential and the general rate was materially widened. Some of the goods in respect of which valuable preferences were conceded by Canada to Australia were raisins and currants, canned fruits, fruit juices, oranges, grapes, wines, fresh and canned meats, sugar, eggs, butter, cheese, and dried prunes, apricots, pears, and peaches. This agreement placed Canada on a parity with the United Kingdom in the Australian market and gave her a substantial advantage over competitive exports from the United States to that market. Canadian farmers derived no benefit from the agreement, however, since Australia grants few, if any, preferential rates on imports of agricultural products.

Canada had extended to New Zealand the concessions made to Australia in the original 1925 Canadian-Australian trade agreement above referred to. In return for those concessions New Zealand granted Canada the benefit of such British preferential rates as she had adopted, mostly on manufactured goods. When Canada increased her duty on butter in 1930, New Zealand notified Canada that practically all imports of Canadian products would be classified under the general tariff rates. Negotiations were at once initiated for a new Canadian-New Zealand trade agreement. These finally materialized on May 25, 1932. In that treaty, Canada granted New Zealand either the British preferential or lower rates on a long list of goods (mostly agricultural products) imported from that country, while New Zealand in turn extended to Canada either her British preferential or lower rates on a long list of goods (mostly manufactured). The only Canadian agricultural products on which New Zealand agreed to extend reduced rates of duty were onions, canned peas, and fresh apples and pears.

(b) *The Ottawa Agreements.*—Up until the signing of the Ottawa Agreements in August 1932, therefore, Canadian farmers had not profited greatly from imperial preference as it had been applied in the markets of the mother country or in the other parts of the British Commonwealth. For many years, however, there had been increasing agitation in all parts of the Empire for a greater extension of the preferential idea, particularly the adoption by the British Government of a much more far-reaching system of preferences in the British market affecting the great agricultural staples produced in the Dominions. These ambitions reached their culmination at the imperial conference held in Ottawa in July and August 1932. Canada entered four new commercial agreements at that conference, i.e., with the United Kingdom, with South Africa, with Southern Rhodesia, and with the Irish Free State.

In regard to the treaty with the Union of South Africa, the agreement merely served for the first time in the history of these two Dominions to place their commerce upon a treaty basis. It secured, however, a considerable extension of the list of commodities on which South Africa had hitherto extended preferences to Canadian shippers. Practically all of the new preferences granted to Canada, however, were on manufactured products. In regard to the agreement with the Irish Free State, it merely secured for Canada the lowest rates of duty accorded to similar goods imported from other countries. In the treaty with Southern Rhodesia the Government of that country agreed to accord particularly favorable treatment to a selected list of Canadian products, mostly industrial, while assuring on the bulk of the unenumerated articles rates not less favorable than are accorded to similar goods the produce of the United Kingdom. In general, it can be said that the new treaties between Canada on the one hand and the Union of South Africa, the Irish Free State, and Southern Rhodesia on the other served mainly to facilitate trade in those commodities which each Dominion was deemed to be best fitted by its natural resources and its industrial development to supply.

As far as significant concessions to Canadian farmers are concerned, they are to be found mainly in the trade agreement with the United Kingdom. In this treaty the United Kingdom agreed as follows: (a) To permit free entry of all Canadian farm products into the British market which by virtue of the Import Duties Act of 1932 (see the United Kingdom) were permitted such free entry; (b) to impose new or additional duties on wheat, butter, cheese, apples, pears, dried fruits, eggs, and condensed milk; (c) to modify the conditions then governing the importation of Canadian live cattle into the United Kingdom; (d) to give Canada free entry of 280,000,000 pounds per annum of hams and bacon, no matter what limitations or restrictions might be placed upon imports from all other areas; (e) and finally to maintain the existing margin of Empire preference on tobacco. (For a further discussion of the Ottawa Agreements, see ch. VII of this report.)

CHILE

Chile in recent years has been attempting to diversify her industries so as to render the country less dependent upon the production and export of nitrate. To this end, and also to offset in some measure the effects of the recent marked decline in world prices of agricultural products, she has endeavored by various artificial means to raise her domestic prices. These have included increased tariffs, involving the use of sliding-scale tariffs, export bounties, and direct price fixing by means of a central board.

1. *Tariffs.*—Chile has adopted marked increases in tariff duties on agricultural products during the past few years. One of the features of the tariff increases adopted has been the application of the sliding-scale principle in respect to certain commodities, whereby the duties are shifted upward or downward in accordance with changes in the domestic price level. The sliding-scale system has been applied to wheat since January 1, 1931. On that date a law went into effect establishing a sliding scale, based on the value of Chilean wheat, as follows (conversions to United States currency being made at par): When Chilean wheat is selling at 40 pesos per quintal (\$1.32 per bushel), wheat may be free of import duties; when its value is 39 pesos per quintal (\$1.29 per bushel) the import duty will be 1 peso per quintal (3.3 cents per bushel), and this rate of duty will be increased 1 peso per quintal (3.3 cents per bushel) for each peso per quintal decline in value. In addition the general import surtax of 10 centavos per quintal (0.33 cent per bushel) is added to the above rates. Of the manner in which this restriction of imports is associated with other price-fixing activities of the Government, more will be said below.

The duties on cattle, horses, mules, donkeys, sheep, goats, and hogs are also based on the sliding-scale principle. The basic rates on all of these animals were materially increased on December 19, 1931. The law provided, however, that the rates would be reduced or increased by 6 pesos (73 cents) per head in accordance with each centavo (0.122 cent) of fluctuation below or above the average selling price of cattle on the hoof in the stockyards of Santiago. The following indicates the extent to which the basic duties on livestock were increased by this order, the former rates being given in parentheses: Cattle 120 (90) pesos; horses and mules, 90 (60) pesos; asses, 30 (20) pesos; sheep, 20 (9) pesos; goats, 10 (4) pesos; and hogs, 30 (20) pesos. The Chilean peso is equivalent to \$0.1217 in United States currency, at par; par value is used for customs purposes.

Among other tariff increases which took place in 1931 may be mentioned the following: On February 11, 1931, the import duty on flour was increased from 15 to 45 centavos per gross kilo (\$1.62 to \$4.88 per barrel). To this must be added the general import surtax of 10 centavos per quintal (1.08 cents per barrel). On May 18 the duty on rice, with or without hull, was raised from 0.10 to 0.20 peso per gross kilo (0.55 cent to 1.1 cents per pound). The duties on a long list of other foodstuffs were also increased.

In 1932 restriction of imports assumed the form of direct administrative control. A law of June 1932 authorized the President to fix the quantities of determined products which could be imported into the country during a given period and to establish the quotas which might be imported from any one country. A law of August 30, 1932, created a General Commissariat of Prices and Subsistence, which, among other functions, would have direct control of the importation of articles declared to be of prime necessity or common use.

Some idea of the level of import duties early in 1933 is afforded by the following table:

*Chile: Current import duties on certain specified agricultural products
(March 1933)*

Product	Chilean pesos	United States currency (par)
Cattle.....	<i>Per head</i> ^{1 2} 80.00	<i>Per head</i> ³ \$9.74
Rice, gross weight.....	<i>Per kilo</i> ¹ 0.20	<i>Per 100 lbs.</i> ³ \$1.65
Coffee, gross weight.....	.50	3.31
Sugar.....	.20	1.65
Wheat.....	(⁴)	(⁴)

Compiled from data furnished by the Division of Foreign Tariffs, United States Department of Commerce.

¹ Plus surtax of 10 pesos per 100 gross kilos, equivalent to 55 cents per 100 pounds in United States currency.

² Animals imported by sea or by the passes of the Cordillera in the Provinces of Tarapaca, Antofagasta, and Atacama, or by any pass in which there is a railroad in operation, will be subject to an additional duty of 50 percent. The total duty which cattle must pay, subject to this additional duty, will be reduced by 12 pesos for each 5 centavos that the price of live animals in the Santiago markets rises above 1 peso per kilo, but in no case shall the duty be less than 12 pesos per head.

³ Includes surtax of 55 cents per 100 pounds.

⁴ When wheat is selling at 40 pesos or more per 100 kilos it is free of duty; when its price is 39 pesos, the import duty is 1 gold peso per 100 kilos (5½ cents per 100 pounds), and this rate of duty is increased 1 peso for each peso of decline in price.

2. *Payment of export bounties by the Agricultural Export Board.*—In December 1930 a law was adopted providing for the establishment of an Agricultural Export Board with authority to grant premiums, subsidies, and bounties for the purpose of encouraging agricultural exports. The board was also given price-fixing powers. The regulations governing the payments of bonuses on exports provided that the board would determine the product upon which an export bonus would be paid and the amounts of those products which could be exported. The law provided for three classes of bonuses, as follows: (a) A fixed bonus for a definite period of time to be used preferably for the exportation of wine and malt; the board reserved the right to modify the amount of the bonus agreed upon for these products in cases where the purchaser did not pay the producer the normal domestic price. (b) Variable bonuses designed to

cover, in each particular case, the difference between the domestic market price and international quotations. In connection with this class of bonus the board each year was to fix the minimum prices to be received by the producer, and could alter the number of products affected. Bonuses were to be paid on wheat, flour, oats, barley, beans, peas, lentils, fruit, and hay. (c) Special bonuses to encourage the making of trial shipments of agricultural products to new markets.

The funds for paying the bounties were to be raised by taxes on wheat and oats milled or crushed in Chile, on malt used for brewing, and by additional import duties on sheep and cattle. On beans, export bounties to the amount of 99,086 pesos (about \$12,000, United States currency) were paid on about 730 tons of a total of 2,000 tons shipped to the United States during 1931. It is also reported that in March 1931 the agricultural export board agreed to grant an export bounty of 4 pesos per box of Chilean apples placed abroad. But in the latter part of 1931 funds for the purpose of paying export bounties were exhausted and the application of this form of aid was held in abeyance.

3. *Price fixing.*—In addition to its functions in connection with the export market, the agricultural export board was given important powers in connection with prices in the domestic market. Broad authority was conferred upon it to issue regulations designed to bolster and maintain agricultural prices in Chile.

One of the primary objects of the law establishing the agricultural export board was to insure that wheat growers by October 1931 would not receive less than 40 pesos per quintal (\$1.32 per bushel at par) f.o.b. Santiago. This is accomplished by the sliding scale tariff arrangement discussed above. On January 1, 1931, the agricultural export board, in agreement with the millers' associations, fixed the basic scale of minimum prices to be paid by the millers for domestic wheat at 36 pesos per quintal (\$1.19 per bushel) for February 1931 with an increase of 0.50 centavos per quintal (\$0.016 per bushel) for each succeeding month until the price reached the desired minimum of 40 pesos per quintal (\$1.32 per bushel) in October 1931. Further increases of the price were to be checked by free admission of imports once the price had reached this point.

The price-fixing powers of the board arose from a provision to the effect that the board should each agricultural season fix the minimum prices to be received by the producer for all products upon which it decided to pay an export bounty. The President of the Republic, by the law of December 19, 1930, was also authorized to determine the relation that should exist between the prices of agricultural products and their derivatives and to fix the relation between the wholesale and retail selling prices. In September 1932 the board underwent some minor changes with the enactment of a new law; it was renamed the Commissariat of Subsistence and Prices and was authorized to intervene in the retail trade in connection with any commodity in common use.

CUBA

Agricultural price maintenance measures in Cuba are for the most part associated with her great sugar industry. Cuba has made strenuous efforts in recent years to revive the price of sugar, since her prosperity is so largely dependent upon sugar. At the same time, partly for the purpose of encouraging diversification in her agriculture, Cuba has made extensive increases in the import duties on agricultural products. Other measures of recent date include a decree requiring the use of home-grown yuca flour in bread and other bakery products, and another decree fixing the minimum price to be paid to dairy farmers for milk.

1. *Aid to the sugar industry.*—Because of the overwhelming predominance of sugar in Cuban national economy, most of the discussion of Cuba will deal with that product. Attention will be confined in the main to the efforts in recent years, first on the part of Cuba alone and later in conjunction with other sugar-exporting countries, to restrict production and exports of sugar and thus to bring about a recovery of prices. Before entering upon the main discussion, however, brief reference should be made to at least one other measure designed, among other things, to assist Cuba's sugar industry, namely, the Cuban Reciprocity Treaty with the United States.

(a) *Tariff preference in the United States market.*—By the Cuban Reciprocity Treaty with the United States, which has been in effect since 1902, imports of sugar and other products from Cuba into the United States are granted a tariff

preference of 20 percent of the full duty rates in return for preferences, mostly 20 percent but ranging upward as high as 40 percent, on all dutiable imports from the United States into Cuba. From the standpoint of its significance as an aid to the Cuban sugar industry the tendency of the Reciprocity Treaty obviously is to give to Cuba a virtual monopoly of the United States imports of sugar coming from foreign countries. In the earlier years under the treaty Cuba did not actually possess such a monopoly, considerable quantities being imported from other countries at the full duty rates. Under such conditions most of the benefit of the preference went to the Cuban producers, and this was undoubtedly one of the factors tending to stimulate the rapid expansion of the Cuban industry.

Eventually, however, the Cuban output became so large as to enable her not only to supply the whole of the United States imports but in addition to compel her to seek other foreign outlets where she enjoyed no tariff preference. From that time on the advantages derived from the American preference greatly diminished. The United States tariff on sugar is now adjusted with reference to Cuba, the Cuban preferential duty being the basic rate considered in determining the measure of protection to be accorded to the domestic industry. Such advantage as accrues to the Cuban industry under the Reciprocity Treaty appears, therefore, now to be confined to whatever added assurance the treaty gives to Cuba of a continued monopoly of such import trade into the United States as is permitted to prevail under the existing American tariff policy with reference to sugar. (For further details concerning this matter, see the United States Tariff Commission, "The Effects of the Cuban Reciprocity Treaty of 1902", published in 1929. See also Wright, Philip G., "The Cuban Situation and Our Treaty Relations", published by the Brookings Institution, 1931.)

(b) *Restriction of exports and production.*—Cuba is a party to the International Sugar Agreement, or 5-year Chadbourne Plan, entered into in May 1931 by the principal sugar-exporting countries of the world for the purpose of restricting the exportation of sugar. Even before that time, however, Cuba had engaged in activities for regulating the supply of sugar, and preliminary reference should be made to them. In the crop season 1925–26, the Cuban Government restricted the beginning of the grinding season to January 15. In 1926–27, the beginning of the grinding season was advanced to January 1, and for the first time a restriction was applied limiting the size of the crop. The law of May 3, 1926, provided for a 10 percent reduction of the crop then being harvested. The crop was at first officially estimated at 5,200,000 long tons (5,824,000 short tons), but a crop somewhat larger than that contemplated resulted, for considerable sugar had been milled before the law became effective. The same law empowered the President of Cuba to restrict the crops of 1927 and 1928 and to forbid any grinding before a specific date to be announced each season for the several grinding areas. For the 1927 crop the announcement of September 21, 1926, set January 1, 1927, as the date for beginning grinding. On December 10, 1926, a Presidential decree set 4,500,000 long tons (5,040,000 short tons) as the 1927 maximum crop.

In preparation for the 1928 crop the Sugar Defense Law of October 4, 1927, was passed. The law was to remain in force for the period 1928 to 1933. It provided, first, for the appointment of a National Commission for the Defense of Cuban Sugar, consisting of five members to advise the President in the discharge of his duties under the law. Second, it provided that after the Defense Commission had prepared estimates of the quantity of Cuban sugar required by Cuba herself, by the United States, and by the rest of the world the President would fix the total amount of the Cuban crop and its due proportional distribution under these three headings. The President was also empowered to fix the production quotas for each mill, and any sugar produced in excess of the quota was made subject to a tax of \$20 per bag; at the same time he would fix for each mill the percentage of its quota which might be exported to the United States. Third, the new law provided for the appointment of a Cuban Sugar Export Corporation to market all sugar in excess of the amount allocated to the United States market. The Cuban treasury was to advance \$250,000 to provide the working capital for this export corporation and was to be reimbursed by a special tax of 1 cent per bag produced by the mills, which would thus become the shareholders. Pending this evolution, the national commission would direct the corporation's activities. The mills were thus free to market only the percentage of their quota allocated to the United States market; the remainder was to be dealt with by the export corporation. Finally, the President was empowered to transfer to the export corporation a percentage of the

unsold stocks held at ports or mills on September 30, 1927, the total not to exceed 150,000 long tons (168,000 short tons).

Grinding of the 1928 crop did not begin until January 15. On January 21, a Presidential decree gave effect to the national commission's decisions in regard to size and distribution of the crop. The crop was limited to a tonnage nearly half a million below that of 1927, and the estimate of requirements of the United States was materially increased. That market was expected to absorb all of the stocks remaining from the 1927 crop. Definite figures were set for the Cuban and "outside" allotments. With all of the above outlets provided for, there still remained some 200,000 long tons (224,000 short tons) as a reserve which, if not sold, was to go over into the 1929 season. Furthermore, the national commission was to make recommendations to the President as to the quotas for each of the mills, and the amounts which they would be entitled to sell freely and which they must deliver to the export corporation.

All "outside" allotments were disposed of fairly soon, and all of the reserves were gone by early June 1928; but sales to the United States were disappointing. On the 12th of that month about one tenth of the United States allotment was transferred to the export corporation for sale in Europe. The outcome of the 1928 season, with low prices prevailing despite restricted production, brought a reaction against restriction of the 1929 crop. The only restrictive measure was to prohibit grinding before January 1. By March lowered prices and disorganized selling fostered the creation by leading sugar companies of the Joint Foreign Sales Syndicate for selling outside Cuba and the United States. Various divisions of activity as between private and official control having proved unsatisfactory, since prices continued to decline, a decree of August 31, 1929, announced the establishment of a single selling agency, the Cooperative Export Agency. The new organization took over, under Government supervision, all of the existing stocks in Cuba. A temporary strengthening of prices gave the new agency an auspicious start.

By decree of July 26, 1929, the president appointed the sugar export corporation, which had only been suspended and not dissolved during the year before, to act as the single seller pending the organization of the new agency on the proposed cooperative basis. It was also provided that the president of the national commission for the defense of sugar should be ex officio president of the new Cooperative Export Agency. But despite these provisions for a certain degree of official control, the Export Agency was not a State institution such as the Export Corporation had been. With the Agency endeavoring to dispose of 1929 stocks, grinding for the 1930 crop was delayed until January 15. Early 1930 sales were slow, however, as prices declined further, and Cuban stocks reached abnormal proportions. The single selling agency brought financial difficulties to many mills, since lack of control over export quotas had a bad effect on their bank credit. After considerable strife between powerful groups within the industry, the Cooperative Export Agency was voted out of existence on April 14, 1930.

Meanwhile, in 1927 and again in 1928 and 1929, representatives of the Cuban Government had unsuccessfully endeavored to conclude an international agreement with European sugar producers for the restriction of sugar exports. In 1930-31, however, under the leadership of American interests, new and intensified efforts to conclude such an international agreement eventuated in the adoption on May 9, 1931, of the international sugar agreement. Even before this event Cuba led the way to restriction with a decree of January 31, 1931, limiting the sugar crop to 3,497,000 short tons, out of which a maximum of 3,328,000 short tons could be exported, 2,886,000 to the United States and 442,000 to other countries.

(i) *The International Sugar Agreement of 1931.*—On May 9, 1931, at Brussels, seven of the most important sugar producing and exporting countries of the world entered into an agreement to limit their exports to specific annual quotas and to set aside from their normal supplies their excess stocks in order to eliminate the surplus. A representative International Sugar Council was established to govern the application of the agreement. The seven original participating countries were Cuba, Java, Germany, Czechoslovakia, Poland, Hungary, and Belgium. Together they produced about 40 percent of the world's sugar and about 90 percent of the world's exports sold in the open market. Before the end of 1931 these seven countries were joined by two more, Peru and Yugoslavia.

The object of the sugar agreement (also known as the Chadbourne plan) was to bring about the recovery of the sugar market by gradually eliminating

the excess stocks. Besides limiting exports to a specific quota for each country, the plan directed each one to dispose annually of a specific amount of sugar, designated as excess supplies. Although the restriction of production was not provided for explicitly, it was agreed that each of the participating countries should so adjust the production of sugar that its output plus the annually disposable part of its surplus would not exceed its domestic consumption plus its assigned export quota. The agreement was effective as of the beginning of the crop year of 1930-31, the sugar crop-year being indicated as follows: For Europe, except Czechoslovakia, September 1-August 31; for Czechoslovakia, October 1-September 30; for Cuba and Peru, January 1-December 31; and for Java, April 1-March 31.

The sugar export quotas of the various countries under the international agreement as originally drawn are given in the table immediately following. For Cuba only the volume of the exports to countries other than the United States was given specifically in the international agreement. The quota of 2,886,000 short tons to be exportable to the United States was set forth by the Cuban Government in a decree of January 31, 1931, before the signing of the agreement. This amount and also the quotas for Cuban exports to the United States for 1932 to 1935 are estimates based upon the consuming capacity of the United States and Cuba. The individual quotas given in the table for countries other than Cuba are the amounts which were specified in the original agreement.

Sugar export quotas of various countries under the original terms of the international sugar agreement, 1931 to 1935

Country	1931	1932	1933	1934	1935
	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>	<i>1,000 short tons</i>
Cuba, beginning Jan. 1:					
To the United States.....	2,886	3,136	3,136	3,136	3,136
To other countries.....	734	902	958	958	958
Total exports from Cuba.....	3,620	4,038	4,094	4,094	4,094
	1931-32	1932-33	1933-34	1934-35	1935-36
Java, beginning Apr. 1.....	2,535	2,645	2,756	2,866	2,976
	1930-31	1931-32	1932-33	1933-34	1934-35
Europe, beginning Sept. 1:					
Czechoslovakia.....	629	629	629	629	629
Germany.....	551	386	331	331	331
Poland.....	340	340	340	340	340
Hungary.....	93	93	93	93	93
Belgium.....	33	33	33	33	33
Total Europe.....	1,646	1,481	1,426	1,426	1,426
Grand total.....	7,801	8,164	8,276	8,386	8,496

An increase of 5 percent in export quotas was to be permitted when the price f.o.b. Cuba reached 2 cents a pound and maintained that level for 30 days. With a price of $2\frac{1}{4}$ cents an additional $2\frac{1}{2}$ percent was to be permitted, at the discretion of the International Sugar Council, or a total of $7\frac{1}{2}$ percent in excess of the original quotas. With a price of $2\frac{1}{2}$ cents a further $2\frac{1}{2}$ percent, or in all an addition of 10 percent to the original quotas, was to be permitted.

In case Germany in any year was unable to export her quota, such deficiency, up to a given limit, was to be allotted to Cuba, Czechslovakia, Poland, Hungary, and Belgium, to be exported by them during the next year in addition to their normal quotas. The following proportions were to be observed: Cuba, 575/750ths; Czechslovakia, 96/750ths; Poland, 56/750ths; Hungary, 17/750ths; Belgium, 6/750ths. The maximum total additional amounts which could be exported by the foregoing countries on account of any deficiency in the German exports were in any case not to exceed the following figures (year beginning September 1): In 1931-32 a total of 331,000 short tons on account of the 1930-31 deficiency, in 1932-33 a total of 165,000 short tons, and in the remaining 3 years totals of 110,000 short tons each year.

The manner in which the surplus stocks were to be eliminated was also given in some detail in the international agreement. Surpluses in the various countries were declared as consisting of the following amounts: Cuba, 1,456,000 short tons; Java, 551,000 short tons; Germany, 93,000 tons; Czechoslovakia, 10,000 tons; Poland, 88,000 tons; Hungary, 18,000 tons; and Belgium, 32,000 tons. The segregated stocks in Cuba were to be reduced at the rate of about 292,000 short tons a year. For Java and the European countries it was provided that the gradual working off of the surplus stocks should be in four annual installments, beginning with the stocks on hand as of April 1, 1932, in the case of Java and those on hand as of September 1, 1931, in the case of the European countries (excepting Czechoslovakia, where the date fixed was October 1).

(ii) *Cuban participation in the sugar agreement.*—On May 14, 1931, the Cuban Sugar Stabilization Institute was established to represent Cuban participation in the international sugar agreement and to control Cuban production and exports of sugar. It had the power, subject to the approval of the President of Cuba, to act for the whole Cuban sugar industry, its signature being binding upon all sugar producers and mill owners. Producers and exporters are each allotted a definite quota, and a heavy fine (10 cents per pound) is levied for any sugar produced or exported in excess of the quota. Penalties are also provided for other acts of interference with the activities of the Institute. The Institute conducts its transactions through the National Sugar Export Corporation (discussed above), which had already been established by earlier legislation. The corporation is charged with the actual sale and export of Cuban sugar.

Cuba was the first of the members of the international agreement to achieve a drastic curtailment in production. Her output for 1930–31 amounted to 3,495,000 short tons, as against 5,231,000 tons for the previous year, the difference of 1,736,000 short tons representing a decrease of 30 percent from the output of the previous year.

A decree of March 26, 1932, set the maximum crop for the current year at 3,024,000 short tons plus the amounts already ground by mills up to midnight of April 30 in excess of their new individual quotas. The total amount of sugar to be exported by Cuba was set at about 3,825,000 short tons. The amount for export to the United States was set at a maximum of 2,191,000 short tons of the new crop, plus a carry-over from the previous year of about 672,000 short tons. The amount to be exported to Europe was not to exceed 962,000 short tons, composed of 665,000 short tons of the current year's production, plus the current annual quota, amounting to about 297,000 short tons, of the previously segregated excess stocks. The amount of 962,000 tons was, of course, greater than the quota originally allotted to Cuba for 1932 by the international agreement. The additional 60,000 tons was derived from the deficiency in Germany's sugar exports of 1930, as provided in the terms of the agreement.

The terms of the international sugar agreement not only directly limited Cuba's exports but also indirectly limited her production. According to the terms of the agreement, her shipments to countries other than the United States could amount to only 734,000 short tons during 1931. Her shipments to the United States could not very well exceed the amount normally imported in a year, and for 1929 and 1930 this amount had averaged 2,889,000 tons. Cuba's own consumption had averaged about 165,000 short tons during the same period. The total amount of which Cuba might be able to dispose could not be expected materially to exceed the total of these three quantities, namely, about 3,788,000 tons. She had consented in the international agreement to dispose of 292,000 short tons of segregated excess stocks already produced, and not to permit further accumulation. Thus, by simple subtraction, the estimated maximum of her production in 1931 was about 3,496,000 short tons. This figure is the same as that to which her production in 1931 was in fact limited by the decree of January 31 (1931). Production in other countries participating in the international agreement was even more definitely limited so far as exports were a factor, for in their case the maximum amount of their entire exports (and not merely the maximum for certain markets) was definitely fixed by the agreement. Only in case they increased their own internal consumption of sugar by more than the amount of the fixed reduction of their exports would they have been able, under the agreement, to expand their output.

(iii) *Results of the first year of the sugar agreement.*—The effect of the sugar agreement upon the output of member countries other than Cuba is seen in comparing the production of the 1931–32 season with that of the previous (1930–31) season. The total 1931–32 output of the countries participating is estimated at somewhat less than 10,000,000 short tons, as against 12,712,000

short tons reported for 1930-31. The difference of about 3,000,000 short tons represents a decrease of about 23 percent. Germany shows the greatest decrease, the 1931-32 crop being placed at 1,734,200 short tons, as compared with 2,808,076 in the previous season. Czechoslovakia and Poland each reported decreases of over 300,000 short tons, while Cuba and Java each decreased their output by about 500,000 short tons.

Despite the reduction in the world sugar crop attributable to the international sugar agreement, the whole situation remained very unsatisfactory. Sugar stocks were unusually high at the end of the 1930-31 sugar season and materially larger than those of a year earlier. Raw sugar prices had reached the lowest levels in 38 years. The accumulation of stocks was reflected in a diminished volume of international trade in sugar. At the end of 1930-31, the first year of the international sugar agreement, Belgium was the only country which had exported her entire quota. In the other countries of Europe which are members of the agreement, exports had fallen slightly below quotas assigned, and in Germany a balance of 94,384 short tons was left unsold. Cuba and Java fell considerably below their quotas; Java, at the end of the sugar year, still had 837,260 short tons for export, and Cuba had 621,997 short tons. Of the amount left unsold in Cuba, 615,725 short tons was to have been exported to the United States and 6,272 short tons to other countries. The failure to export the full sugar quota resulted in a further accumulation of stocks in these countries.

(iv) *Modification of the agreement in 1932.*—Although the agreement had been of some assistance in checking production, and hence a further decline of prices, it had not brought actual improvement to the world sugar market. Notwithstanding that it had been in force for only a year, a modification of its provisions was therefore deemed necessary. A meeting of the International Sugar Council was held in Brussels, February 27, 1932, and another in Paris, March 14 to 22, 1932, to consider the readjustment of the scheme. As a result of the deliberations, Cuba agreed to fix her 1932 crop at about 2,700,000 long tons; and the European and Peruvian parties to the international agreement undertook to reduce the export quotas fixed for them under the agreement during the year ending September 1, 1932, and/or the year ending September 1, 1933 (for Peru the years ending December 31, 1932 and 1933) by any amount by which Java's effective exports during the year April 1, 1932, to March 31, 1933, exceeded 1,500,000 metric tons. The European parties to the agreement would make a corresponding reduction in their sowings for the current year.

Under the new arrangements the total sum of the exports from the member countries continued to be restricted, although part of the restriction could not be put into effect until 1933. Java could still export the amount originally contemplated for 1932, but any amount over 1,680,000 short tons was to be compensated for by lesser exports on the part of the European countries and Peru. In this connection it is interesting to note that at a meeting of sugar industrialists in Berlin (May 26) it was predicted that instead of exporting her quota of 386,000 short tons, Germany would export only about 112,000 short tons. Cuba, as noted earlier, had already declared her intention to export much less to the United States during 1932 than had originally been contemplated in 1931, although she intended to export to Europe the full amount planned for 1932.

(v) *Increased restriction in Cuba in 1932.*—In accordance with the new terms of the agreement, a Cuban decree of March 26, 1932, established the 1932 crop at a maximum of 2,700,000 Spanish tons (3,060,000 short tons) plus amounts already ground by mills up to midnight of April 30. The total amount of sugar to be exported by Cuba was set at about 3,874,000 short tons; the amount for export to the United States was set at a maximum of 2,556,420 Spanish tons (2,900,000 short tons), consisting of 2,220,000 short tons of the new crop plus 680,000 tons carry-over from the previous year; and the European export quota was set at 858,707 Spanish tons (974,000 short tons), composed of 670,000 short tons of the current year's production plus the current annual quota (amounting to about 300,000 short tons) of the previously segregated excess stocks, an additional 60,000 tons having become available as the result of a deficiency in Germany's exports.

Despite these reductions sugar prices had early in June declined to an all-time low of 0.57 cent a pound (duty-free New York), causing the Cuban mills to grind only some 2,600,000 long tons instead of the 2,700,000 long tons permitted. When it became apparent that the quota allotted to the United States would be excessive, a presidential decree was promulgated (June 13, 1932) providing that the 1933 crop would be less than that of 1932 by an

amount equal to the unsold surplus of 1932, although sugar certified for export during 1932 could still be exported in 1933 over and above the quota to be fixed for that year. Immediately thereafter a pool was organized by banking interests for the purpose of holding for a rise in prices the stocks represented by the 1932 export certificates; and on July 2 the pool was made official and obligatory by presidential decree. Out of the amount assigned to the United States during 1932, 700,000 long tons (784,000 short tons) was to be withheld until the average price, cost and freight New York, reached 1½ cents per pound and remained there for 5 days. All holders of sugar of the 1932 United States allotment were required to contribute 50 percent of their stocks to the pool. Another decree of the same date transferred 115,000 tons from the United States to the European allotment, reducing the balance available for sale to the United States to 739,000 tons (840,000 short tons) as of July 1. Following these decrees a favorable reaction set in and by July 7 the price of sugar rose to 1 cent a pound, cost and freight New York.

In August, following the inconclusive adjournment of a meeting of the International Sugar Council (Ostend, July 7 to 16), prices leveled off at about 1.1 cents a pound (cost and freight New York). Thereupon a decree was published in September extending the 700,000-ton holding pool to June 30, 1933, and at the same time it was made known that Cuban production would be fixed at 2,000,000 long tons for the next season.

(vi) *Further modification of the international sugar agreement late in 1932.*—At a meeting of the International Sugar Council at The Hague (November 29 to December 2, 1932) negotiations that had extended over 4 months finally resulted in another revision of the terms of the agreement. In view of her diminished exports to the United States market, Cuba was accorded an increase in exports to other countries (for 1933) up to 1,000,000 long tons plus whatever part of the 1932 German export deficit Cuba did not utilize in 1932. This increase in the Cuban quota would be deducted from the quotas of Java and Europe. For 1934 and 1935 the Cuban ex-United States export quota was set at 930,000 long tons, the increase to be compensated for by a corresponding diminution in the quotas of other countries, Germany being the chief contributor in this regard. As a compensation to Germany and the other member countries (other than Java and Cuba) Java agreed that should the world price of sugar achieve the level at which export quotas were automatically to be increased by 5 percent, the other member countries (excepting Cuba) would have the privilege of exporting an additional amount equivalent to her 5 percent while she continued to export at the rate originally assigned. At the same time the pivotal price at which export quotas automatically increase was diminished by common agreement from 2 cents a pound to 1¾ cents a pound, f.o.b. Cuba.

(vii) *Further restriction in Cuba in 1933.*—Just prior to the meeting of the International Sugar Council at The Hague, the President of Cuba issued a decree (November 3, 1933) setting the following figures for the 1933 crop: Production, 2,000,000 long tons (2,240,000 short tons); exports to United States, 1,790,622 long tons (2,040,000 short tons), consisting of 1,114,991 long tons (1,260,000 short tons) of new-crop sugar, and 675,631 long tons (766,000 short tons) of United States allotment carried over from 1932; exports to other countries, 1,000,000 long tons (1,114,000 short tons), consisting of 735,000 long tons (824,000 short tons) of new-crop sugar, and 264,991 long tons (300,000 short tons) of sugar which remains segregated in the possession of the Sugar Export Corporation as of January 1, 1933; and supplies for home consumption, 150,000 long tons (170,000 short tons).

2. *Import restrictions.*—Cuba imposes a wide range of import duties on agricultural products; and in conformity with her recently emphasized policy of fostering diversification in agriculture and thus reducing the hazards of a one-crop economy (sugar), she has adopted marked increases during the past 2 years.

On May 17, 1930, an executive decree provided for marked increases in the rates on live hogs, sheep, goats, and a long list of meat and dairy products. Thus, on imports from the United States (subject, in most cases, to a preference of 20 percent) the rates were increased; on live hogs from \$1.09 to \$3.27 per 100 pounds; on fresh beef and pork from 2.5 to 3.6 cents per pound; on lard from 1.45 to 3.3 cents per pound, with a proviso for a surcharge of an additional 10 percent each year for 5 years until the total should amount to a 50 percent increase over the basic rates; on bacon from 2.2 to 5.4 cents per pound; on smoked hams and shoulders from 2.9 to 5.8 cents per pound; on butter from 3.8 to 7.9 cents per pound; on cheese from 2.2 to 3.3 cents per

pound plus 6 percent ad valorem; and so on. In general, the rates were approximately doubled.

On February 5, 1931, further marked increases in the Cuban duties on a wide range of agricultural products went into effect by executive decree. Applicable to the United States, the increases made in the duties included such items as the following: Corn, from 14 to 53 cents per bushel; rye, from 10 to 20 cents; barley, from 9 to 17 cents; oats, from 6 to 12 cents per bushel; hay, from \$8.13 to \$12.20 per long ton; apples, pears, peaches, plums, cherries, grapes, and similar fruits, from 36 to 54 cents per 100 pounds; melons, from 73 cents to \$1.81 per 100 pounds; other fresh fruits, from 36 to 73 cents per 100 pounds; and dried fruits, from \$1.09 to \$1.45 per 100 pounds. On live hogs the rate was increased from \$3.27 to \$4.54 per 100 pounds; on live sheep and goats, from \$1.45 to \$2.18 per 100 pounds; on fresh beef and mutton, from 3.6 to 5.4 cents per pound; on fresh pork, from 3.6 to 6 cents per pound; on lard, from 3.3 to 4.9 cents per pound; on bacon, from 5.4 to 7.6 cents per pound; smoked hams, from 5.8 to 8.7 cents per pound; on butter, from 8 to 12 cents per pound; and on cheese, from 3.3 cents per pound plus 6 percent ad valorem to 4.4 cents per pound plus 6 percent ad valorem.

On such important items as rice (the leading agricultural import) and wheat flour, there were no increases in the duties at this time. But many of the products on which increases were made, notably meats and lard, corn, oats, and certain vegetables and fruits, Cuba imports in very considerable quantities, lard being the second largest agricultural item. Some of these products Cuba either produces, or has possibilities of producing, on a scale sufficient to make increases in the duties of genuine significance as an aid to agricultural production.

On February 5, 1931, the Cuban Government was authorized to increase its sales tax on all imported merchandise from the old base of $1\frac{1}{2}$ cents of the landed value to a new base of $7\frac{1}{2}$ cents. This did not go into effect, however, and on January 13, 1932, a new tax of 10 percent was authorized. In addition to the sales tax, imports into Cuba are subject to a surtax of 3 percent. Exemptions from the surtax are granted, however, rice and butter being cases in point.

The Cuban emergency tax law, published January 23, 1932, authorized or effected increases of various duties and excise taxes, increased consular invoice certificate fees (from 2 to 5 percent f.o.b. value, port of exportation), and made other fiscal and tax administration charges. On unhulled rice the Cuban President was authorized to increase the duties applicable to the United States from 60 to 90 cents per 100 kilos (27 to 41 cents per 100 pounds). Rice was exempted from the surtax, but authority was granted to impose a consumption tax of one half cent a pound by executive decree. A consumption tax on coffee, and locally authorized sales taxes on raw tobacco (not to exceed 50 cents a bale) were also authorized by the new law.

Effective March 17, 1932, a presidential decree raised the duties on many vegetable and animal oils. The rate applicable to the United States on coconut, peanut, palm, and cottonseed oils was raised from 4 to 8 pesos per 100 kilos (\$1.81 to \$3.62 per 100 pounds), while the duty on the same oils refined was increased from 5 to 10 pesos per 100 kilos (\$2.27 to \$4.54 per 100 pounds). Furthermore, beginning July 1, an annual surcharge of 10 percent of the duty on the raw oils was to be added each year for 5 years, amounting to 50 percent of the duty at the end of 5 years. By the same decree the duty on lard was increased from 10.8 pesos to 18.4 pesos per 100 kilos less a tare allowance of 12 percent of gross weight (\$4.31 to \$7.34 per 100 pounds); a surcharge of 5 percent of the duty is added at the end of the first year, 10 percent at the end of the second, and on until at the end of 5 years it amounts to 25 percent of the duty. It is to be noted that these rates are lower than the general rates by reason of the preference granted to the United States under the reciprocity treaty. The amount of preference granted on the foregoing oils is 20 percent.

Another decree, effective March 30, 1932, imposed duties on certain livestock and poultry feeds formerly duty free. Processed oleaginous seeds in the form of cakes, meals, etc., and byproducts of other industries suitable for feeding livestock were now made subject to a duty of 2.64 pesos per 100 kilos gross (\$1.20 per 100 pounds). Beginning July 1 the rate would be increased by 10 percent annually until at the end of 5 years it was 50 percent greater than the initial duty. Feed for fowl, mixtures of three or more crushed grains, and mixtures of animal substances were now made subject to a duty of 1.2 pesos per 100 kilos gross (54 cents per 100 pounds), to be increased to 2.4 pesos per 100

kilos (\$1.09 per 100 pounds) after July 1, 1932. The rate on other feeds for animals was increased to 2.8 pesos per 100 kilos gross (\$1.27 per 100 pounds).

In the same month (on March 12) the Cuban Technical Tariff Commission, set up in 1926 as an advisory board to the President in altering duties by executive decree, went out of existence. Until the Cuban Congress passed a law reestablishing the commission, changes in duties could now be made only by the Congress, the presidential decree no longer being effective by itself for this purpose.

Some idea of the height of the Cuban tariff may be gained quickly from an inspection of the table immediately following; here may be found the rates of duty effective as of March 1933 on some of the most important of Cuba's agricultural imports.

*Cuba: Current import duties on certain specified agricultural products¹
March 1933*

Product	Cuban pesos	United States currency
	<i>Per 100 kilos</i>	<i>Dollars per 100 pounds</i>
Jerked beef.....	20.00	9.07
Salt Pork.....	14.40	6.53
Lard.....	² 19.32	² 8.76
Condensed milk.....	5.70	2.59
Butter.....	³ 26.60	³ 12.06
Margarine and oleomargarine ⁴	³ 40.00	³ 18.14
Rice:		
Unhulled in its natural state.....	3.60	3.27
Hulled or semihulled.....	3.90	3.41
Wheat, gross weight.....	.32	.145
Wheat flour, gross weight.....	5.91	5.413

Compiled from data furnished by the Division of Foreign Tariffs, U.S. Department of Commerce.

¹ Rates applicable in March 1933 to imports from the United States; the latter form the great bulk of the import trade of Cuba.

² Less tare allowance of 12 percent of gross weight.

³ Subject also to consumption tax of 1 cent a pound.

⁴ Including milk containing materials foreign to the natural composition of milk, except for the addition of common salt and vegetable coloring material.

⁵ Subject also to consumption tax of \$0.35 per 100 pounds.

3. *Obligatory use of yuca flour in bread and other bakery products.*—A decree published on March 4, 1932, and effective on July 1, 1932, makes it obligatory in Cuba to include a minimum of 10 percent of yuca flour in the preparation of bread, crackers, etc. Basic legislation had been provided as early as December 1930, but very little headway had been made in the production of yuca flour on a commercial basis, and enforcement of the existing law had not been instituted. The new decree required manufacturers of yuca flour to submit to the Departments of Agriculture, Commerce, and Labor a monthly statement of the amount of yuca flour produced and sold to others, and the names, addresses, and amounts sold to each. At the same time the bakeries must each month report to the local municipal authorities the amounts of both yuca flour and wheat flour purchased and the names of the persons from whom the purchases were made. Their monthly statements must also detail the amount of each kind of flour consumed during the month and must indicate the percentage of yuca and wheat flour used.

4. *Fixed price for milk.*—By a decree of November 23, 1931, the large pasteurizing plants of Cuba were obliged to pay dairy farmers a minimum price of 5 cents a liter for milk (4.7 cents a quart). This was followed by a decree of May 1, 1932, fixing a minimum price of 10 cents a liter (9.5 cents a quart) for milk sold at retail in Habana and three of its suburbs. Between a third and a fourth of Cuba's population is concentrated in this region.

CZECHOSLOVAKIA

Price maintenance measures in Czechoslovakia have taken various forms. Not only have high tariffs been imposed on most commodities imported into the country but supplementary devices have been and are being utilized to protect domestic agriculture from foreign competition. Among the supplementary price-influencing measures recently enforced are sliding-scale tariffs, mill-

ing regulations, import licenses, exchange permits, and control of the grain trade by means of a syndicate operating under close supervision of the Government.

1. *Tariffs*.—Czechoslovakia is one of the new states established after the war out of large units that had formerly been more or less self-supporting. From the very beginning the Czechoslovakian Government has maintained a policy of protectionism, especially for industrial products. It was not until June 6, 1925, that Czechoslovakia definitely embarked upon a program of high protection for agricultural products. While considerable reductions from the basic duties have been made from time to time in return for reciprocal advantages from countries with which Czechoslovakia has negotiated commercial treaties, nevertheless the general tendency has been toward increasing tariff barriers for both industrial and agricultural products even when these concessions are taken into account.

A law of June 6, 1925, transferred many agricultural products from the free to the dutiable list and placed high duties on all agricultural products. Moreover, this law established a system of sliding-scale tariffs for wheat, rye, barley, oats, and lard. This provided for the imposition of duties on these products wherever the prices fell below defined levels, with progressive increases of the duties for each further decline of price. On the other hand free entry of these products was permitted whenever the domestic price level for the same merchandise exceeded the established levels. Several other commodities were subsequently added to the sliding-scale list. The tariff revision of June 6, 1925, also established a system of coefficients or multiples to be applied to the basic rates of duty in order to maintain a parity between foreign currencies and the Czechoslovakian crown.

After some months of trial the Czechoslovakian grain farmers complained that the sliding-scale system gave them inadequate protection, and they requested that the system be abolished. Accordingly on July 14, 1926, a law became effective replacing the sliding-scale arrangement by high fixed tariffs. At the same time a schedule of minimum duties was established for purposes of tariff negotiation.

On June 15, 1930, however, the Government once more took up the sliding-scale principle for limiting the importation of wheat, rye, barley, oats, flour, and other mill products. A new law, effective that date, authorized the Government to increase the duties on these products if at the end of each calendar month the average grain prices during the preceding quarter had dropped to a level equivalent to 11 percent below the average prices during the 5 years from 1925 to 1929. The Government since that time has frequently revised the duties on the products mentioned. Without changing the basic rates, the Government from time to time imposes whatever additional duty under the foregoing provision it may deem necessary in order to restore the price to the average level stipulated.

As of possible interest in this connection the following table gives the basic rates of duty on cereals and flour and the supplementary duties effective as of March 9, 1933, which, taken together, represents the actual duties payable from that date on the product mentioned. From this tabulation it can be seen that the actual duty on wheat on that date amounted to 44 cents per bushel.

Czechoslovakia: Import duties on cereals and flour

Products	Rates in foreign currency		In United States currency ¹	
	Basic rate	Supplementary duty	Basic rate	Supplementary duty
	<i>Crowns per 100 kilos</i>	<i>Crowns per 100 kilos</i>	<i>Per bushel</i>	<i>Per bushel</i>
Wheat.....	30	25	\$0. 24	\$0. 20
Rye.....	38	50	. 29	. 38
Barley.....	34	36	. 22	. 23
Oats.....	36	34	. 16	. 15
			<i>Per 100 pounds</i>	<i>Per 100 pounds</i>
Flour and milled products.....	70	75	\$0. 94	\$1. 01

¹ Converted at par.

2. *Import certificate system.*—On July 14, 1926 (by the same law which abolished the original sliding-scale system set up in 1925 as noted above), the Government adopted the import certificate system applicable to imports of the following products, effective from August 1: Wheat, buckwheat, rye, oats, beans, peas, lentils, vetch, corn, and rice. These certificates issued originally in connection with exports of the foregoing products and also wheat flours and other mill products, were offerable in place of cash for payment of import duties on the items specified above (except flours, for which such certificates could be used only in the payment of the import duty on grain and legumes), the value of each certificate being predicated upon the full amount of the duty rate on that particular product in the import tariff. This system, which has been used by some other countries, notably by Germany (see p. 381), is in reality a type of export bounty since the certificates are offerable for payment of import duties and are therefore salable by exporters for cash in amounts approximating the face value of the certificates.

3. *Milling and mixing regulations.*—In common with many other European countries Czechoslovakia also maintains a system of milling quotas on wheat and rye whereby imports are limited to stipulated percentages of total domestic milling requirements. On November 7, 1930, a law was enacted stipulating (a) that Czechoslovakian millers use, monthly, such a quantity of home-grown wheat and rye as would amount to at least 75 percent of the total quantity of wheat and flour milled and to at least 95 percent of the total quantity of rye milled; and (b) that imported wheat and rye flour be offered on the Czechoslovakian market only when mixed, in the case of wheat flour, with at least 75 percent of flour made from home-grown wheat and, in the case of rye flour, with 95 percent of flour made from home-grown rye.

The law authorized the Government to amend the percentages of milling and mixing from time to time as circumstances warranted. On May 18, 1931, accordingly, a decree was issued establishing new quotas as follows: Wheat, 50 percent foreign and 50 percent domestic (formerly 25 percent foreign and 75 percent domestic); rye, 90 percent foreign and 10 percent domestic (formerly 5 percent foreign and 95 percent domestic); wheat flour, 50 percent foreign and 50 percent domestic (formerly 25 percent and 75 percent, respectively); and rye flour, 90 percent foreign and 10 percent domestic (formerly 5 percent and 95 percent, respectively). The large increase in percentages of foreign rye and rye flour that could be used was made necessary by the fact that a shortage in domestic supplies threatened a material increase in bread prices.

The original milling and mixing law remained in effect only during the 1930–31 season. It was allowed to expire on August 31, 1931, due to the fact that prospects for the 1931–32 harvest were not sufficiently encouraging to justify the continued application of this device. On October 30, 1931, however, an interministerial committee made a ruling that thereafter import permits for wheat and wheat flour would be granted only to applicants in the ratio of 40 metric tons of foreign wheat and wheat flour to every 10 metric tons of domestic wheat and wheat flour purchased, a previous law having provided that wheat and certain other products could be imported only under licenses (see import licenses below).

4. *Import licenses.*—Czechoslovakia has for several years controlled the import trade of the country in a large number of products by requiring importers to secure licenses before they could import certain products. Prior to 1930, however, import licenses had been applied in Czechoslovakia mainly in connection with imports of manufactured products. During 1930 and 1931 the system of import licenses was greatly expanded in relation to agricultural imports. As late as October 15, 1931, a total of 84 imported products were subject to import licenses, including such agricultural products as wheat, rye, barley, oats, corn, flour, livestock and meats, poultry and dairy products, lard, potatoes, currants, and raisins.

It is claimed that the license system is maintained mainly to prevent imports of the specified articles from nontreaty countries from enjoying the tariff and other privileges which are granted to similar articles imported from treaty countries. While the above-mentioned law governing the issuance of licenses to import does not specify (with the exception noted below) that the government may regulate the imports by countries of origin there are indications that the licenses are so allotted as to give the market to nations that have entered special commercial treaties with Czechoslovakia.

On July 26, 1931, a supplementary law was passed providing that the import licenses for bread grains, flour, and milled products would thereafter be granted

by a special interministerial committee instead of by the Ministry of Agriculture. This committee not only issued the licenses for the importation of cereals and milled products but it was also authorized to fix the amount of wheat that could be imported from time to time and to issue the necessary licenses only when evidence was submitted to indicate that the requisite amounts of domestic wheat had been purchased (see milling regulations). This method of control in respect to wheat was to remain in force up to the end of the 1931-32 marketing season, i.e., July 31, 1932. The interministerial committee also specified the countries from which the wheat was to be purchased. During subsequent months such import quotas were allotted mainly to imports of Yugoslav, Rumanian, and Canadian wheat.

5. *Exchange certificates*.—An additional and still more drastic plan for controlling imports was announced on January 19, 1932. A regulation published on that date and effective on January 25, 1932, contained a comprehensive list of commodities for the importation of which the Czechoslovak National Bank could not release foreign currency except on the recommendation of a special standing committee of the Ministry of Finance. In other words, the importers of this list of so-called "superfluous" or "non-essential" commodities are required by this regulation to obtain a special authorization for payment before the goods may be imported. A certificate from the national bank authorizing the allotment of foreign exchange must be produced by the importer at the time of importation. The customs authorities will not permit the importation of any of the articles subject to this law unless the importer produces the exchange permit or certificate.

The list of commodities for which the national bank may release foreign currency only upon the recommendation of the standing committee of the Ministry of Finance includes coffee, tea, figs, raisins, currants, oranges, dates, bananas, pineapples, almonds, beans and lentils, fresh grapes, walnuts, onions, cabbage, live or dead poultry, animals for slaughter, fresh-water fish, honey, butter, lard, bacon, fresh meat, sausages, cheese, dried vegetables of all kinds, olives, distilled alcoholic liquors, wines, fruit juices, and a long list of manufactured wares. The law also provided that after January 25, 1932, the export shipping documents covering shipments of goods subject to the Czechoslovak exchange restrictions, must contain a statement giving the name and address of the local consignee holding the permit to purchase the foreign exchange.

6. *The Czechoslovak Grain Syndicate*.—The Grain Import Syndicate, which began its operations on July 28, 1932, consists of 17 members representing cooperative societies, millers, grain importers, and industrial enterprises using grain. The activities of the syndicate, which include the control of the entire import trade in grain and flour, are closely supervised by the Government. Government supervision is effected by commissioners representing the Minister of Finance, Commerce, Supplies, and Foreign Affairs. The formation of the syndicate was really not a fundamental change from the former system of grain-import control by special interministerial committee described in sections 3 and 4, but it came about because the functioning of the previous system was not entirely satisfactory, and it was thought that a stronger organization would be more successful. The aim of the syndicate is to regulate the flow of grain imports and by so doing to help maintain prices to producers at or above fixed minimum levels. It is also authorized to give its attention to the furtherance of a so-called "compensation trade." This arrangement was to remain in effect for 1 year, namely, until the end of July 1933.

The syndicate pledges itself to regulate imports of grain, flour, etc., so as to assure Czechoslovak grain growers not less than certain fixed minimum prices. These prices were fixed by the Government on July 8, 1932, at 150 crowns per quintal (\$1.21 per bushel at par of exchange) for wheat and at 132.50 crowns per quintal (\$1 per bushel) for rye, f.o.b. Prague. The syndicate further undertakes to supply the public and industry with products at rates not exceeding fixed maximum prices, for example, 175 crowns per quintal (\$1.41 per bushel) for wheat of a specified quality and 152.50 crowns per quintal (\$1.15 per bushel) for rye. In the event the price of domestic wheat and rye drops below the established minimum prices, the syndicate is to prohibit imports, and if prices exceed the maximum fixed prices, imports are not to be restricted.

The law also provides that after surveying the domestic stocks and market situation the syndicate shall fix every month the quantities of grain, flour, etc., which can be imported during the coming month. Such imports can be made only on the basis of import licenses. The syndicate has the power to state how much grain can be imported and when the imports can be made and how much can be imported by each individual importer. The Foreign Ex-

change Commission (see sec. 5) has the power to determine, with the advice and consent of the syndicate, the countries from which such imports shall be made. In other words, after consultation with the Foreign Exchange Commission, the quantities of grain that can be imported monthly are to be allotted among the various countries with which Czechoslovakia maintains a favorable trade balance, or in which there are frozen credits that might be utilized on a compensation basis. The right to import these commodities is then distributed by the syndicate to its various members, who are at the same time to be advised as to the quantity of domestic products they must purchase in relation to the imported products.

The syndicate is supposed to derive its income entirely from money collected in fees. In this connection it has been authorized to collect an import license fee of 1 crown per quintal (\$0.01 per 100 pounds) on grain and bran, 12 crowns per quintal (\$0.16 per 100 pounds) on corn, and 2.50 crowns per quintal (\$0.03 per 100 pounds) on flour. The fund thus established is turned over to the State treasury and is known as the "intervention fund", and may be used, among other things, to finance the storage of grain when prices are low, and also to alleviate the situation on the rye market. Indirectly, therefore, the syndicate assists in supporting the rye market. No license fees will be collected on imports of grain for sowing purposes, semolina, or products used in starch production. In these latter cases, however, certificates issued by the agricultural council must be presented. While the Government guarantees the operating expenses of the syndicate, it does not obligate itself in any other financial way.

The purpose of the syndicate is to regulate imports of foreign grain and mill products in such a way as to insure that domestic producers will receive at least the fixed minimum prices for their crops. If the price of grain on the domestic market falls below the fixed minimum the syndicate discontinues imports. If the price on the domestic market rises above the fixed maximum, the syndicate is obliged to permit imports until prices again fall below the maximum level. The syndicate does not guarantee that domestic prices will not fall below the fixed minimum levels. It only agrees to prohibit importation when prices fall below that level. The main function of the syndicate, therefore, is to restrict imports. The most radical measure which the syndicate can apply is to prohibit imports entirely. From the first day of its activity until today (April 30, 1933), the syndicate has prohibited the imports of foreign rye and rye flour. Even this radical measure failed to bring the price of domestic rye up to the minimum fixed by the Government. The domestic crop has been so large that considerable quantities have been available for export.

The situation in regard to wheat is quite different. Despite favorable crops in Czechoslovakia the wheat supply has not been sufficient to meet domestic requirements and imports had to be permitted. In this instance, therefore, the syndicate has been effective in influencing prices. No imports were allowed, however, until the middle of December 1932. In view of the fact that world wheat prices have been so low that even after payment of the Czechoslovak import duties imported wheat could be placed on the market at prices considerably below the minimum fixed by the Government, the syndicate adopted a so-called "balancing fee plan" whereby the price of foreign wheat delivered in Czechoslovakia is kept at the desired level. As a result of this practice, the price of wheat in Czechoslovakia has ranged between the minimum and the maximum limits established by the Government.

The balancing fee principle by means of which the syndicate maintains the delivery price of imported wheat at a level equivalent to the minimum price set for the domestic product, i.e., 150 crowns per quintal (\$1.21 per bushel at par of exchange), is one of the outstanding features of the Czechoslovak grain control plan. In the event that the price of imported wheat, of medium quality, c.i.f. Bratislava, drops below 76 crowns per quintal (\$0.60 per bushel) the syndicate, after approval by the Government must collect from the importers a balancing fee (the difference between the minimum price established by the Government and the quoted import price, duty cleared, f.o.b. Prague). For example, if imported wheat is quoted at 73 crowns per quintal (\$0.59 per bushel) f.o.b. Bratislava, the duty and other charges being 59 crowns per quintal (\$0.42 per bushel) and the railroad charges 15 crowns per quintal (\$0.12 per bushel), making a total of 147 crowns per quintal (\$1.18 per bushel), the balancing fee would be 3 crowns per quintal (\$0.02 per bushel).

Soon after the establishment of the grain syndicate a survey was made of the 1932-33 grain production. It was agreed that about 200,000 metric tons

(7,300,000 bushels) of wheat and 5,000 metric tons (56,000 barrels) of flour would have to be imported during the 1932-33 agricultural year. The most important question remaining to be settled was the assignment of quotas by months in such a manner as to give Czechoslovakia the greatest advantage, (a) in insuring the maximum trading on favorable trade balances with other countries; and (b) in purchasing the maximum quality at minimum prices.

There were indications that Czechoslovakia preferred to place the bulk of her orders in Rumania and Yugoslavia and the other Danubian wheat exporting countries in which frozen credits existed, thereby invoking compensation arrangements. However, it was ascertained that the wheat crops of Rumania and Yugoslavia were both poor in quality and below normal in quantity. This eliminated those countries from consideration. Argentina was also eliminated, but for a different reason. Apparently Argentina had not purchased sufficient Czechoslovak machinery and other manufactures to give her *quid pro quo* status in the favored list of countries from which agricultural products could be imported. It was believed that imports from Bulgaria, Germany, and Austria would also be reduced to a minimum because of the exchange situation, various political considerations, and poor crops. By process of elimination, therefore, the North American wheat-producing areas seemed to be the most favored in the matter of purchases to be made by Czechoslovakia. Czechoslovak wheat is of poor quality and only the best grades of imported wheat are desired in order to bring up the standard when domestic and imported wheat are mixed. For that reason it was believed that Canadian wheat would be favored but it was stated that since Czechoslovakia maintained a favorable trade balance with the United States the latter country would no doubt be given a share of the quotas, particularly if prices were favorable. •

With the establishment of the syndicate late in July 1932 it was believed that monthly importations of much needed wheat and flour would be authorized, beginning in August. However, a lack of agreement between the agrarian interests, millers, and allied associations made it impossible for the syndicate to adopt any policy in regard to imports until early in December. On December 6, 1932, 4 months behind its intended schedule, the syndicate announced the procedure for taking care of the country's grain and flour requirements during the months of December 1932 and January and February 1933. It was announced that no direct restrictions would be placed on imports of wheat and flour during the 3 months, but that permits for importation would be granted only on the fulfillment of two conditions. The first of these was that the importer must furnish proof that Czechoslovak products of equal value to the proposed imports had been exported. The aim was to insure that the value of imported wheat should not exceed the value of the exports of Czechoslovak products. A balance of the total foreign trade was the objective, the balances with individual countries being ignored. Thus an export shipment of barley to Sweden might be made "compensatory" to an import shipment of wheat from the United States.

The second condition on which permits were to be granted for the importation of wheat or flour was that for every carload of wheat imported two carloads of domestic wheat or rye must be purchased. The aim of this condition was to insure that imports of wheat should not exceed one half of the purchases of domestic wheat and rye.

These conditions were to be enforced in the following manner: Applications for such "compensation" wheat and flour imports were to be made by importers through their respective groups, i.e., the Association of Millers, dealers, cooperative purchasing offices, agricultural unions, etc. The application form was printed in two sections; first, a section to be filled in and supplemented by documentary evidence, by the exporter of Czechoslovak products, indicating the kind of export, the value, the country to which it was exported, etc.; the other section was to be filled in by the importer who stated the quantity and kind of import, the country from which he desired to import, the total value of the import, etc. The value of the import could in no case exceed the value of the export, and the two sections were considered simultaneously. In the case of wheat imports proof had also to be presented showing that for every carload of wheat to be imported two carloads of domestic wheat or rye had been purchased by the importer. In the case of flour imports, however, there was no restriction except that the value thereof could not exceed the value of exports as explained above. As the above described transactions were to be made purely on the basis of compensation, the Foreign Exchange Commission and other groups dealing with export and import balancing were not interested, there being no actual increase or decrease in the flow of exchange.

In the operation of these transactions, there appeared the so-called "import certificate", which will be described in some detail at this point in order that a clearer understanding of the transactions involved may be obtained. Import certificates had been issued by the Czechoslovak Ministry of Finance for some considerable time to exporters of Czechoslovak agricultural products (see section 2 above), the purpose being to encourage exportation of surplus stocks of certain products and to make it easier to import products needed in Czechoslovakia. These certificates may be used as currency for duty payments, and are valuable for a period of nine months from date of issue. Because of the peculiar characteristics of these certificates, they are saleable and an exporter who has obtained one or several of them may, if he is not interested in importing, sell them on exchange or otherwise dispose of them to interested importers. They may or may not be sold at face value, depending upon market conditions and the attitude of the Government in regard to imports.

Due to the fact that the syndicate had issued no import licenses for wheat and flour from August 1, 1932 up to December 1, 1932, import certificates accumulated rapidly on the local markets, and as the delay of the syndicate in issuing licenses increased, the market value of the import certificates decreased, so that just prior to the decision of the syndicate early in December 1932 to permit imports, the certificates had decreased in value by from 20 to 30 percent. So low had the price fallen that agricultural circles appealed to the Ministry of Finance to guarantee face value or otherwise to stabilize these certificates, which appeal was rejected. This caused those circles and others opposed to imports on general principles to adopt a more lenient attitude towards imports which leniency undoubtedly helped to make it possible for the grain syndicate to effect a decision for the 3 months of December 1932 and January-February 1933, as mentioned above. As soon as the decision was announced the value of the import certificates increased from 5 to 10 percent.

DENMARK

Denmark is predominantly an agricultural country, her agriculture being organized largely on the basis of exporting bacon, butter, and eggs to the United Kingdom. Danish farmers have for more than a century adhered to the cooperative principle in production, marketing, and credit. In the present world-wide depression the prices of Danish products entering into the export trade did not decline as rapidly as prices for many other farm products so that the effects of the depression in severe form in Denmark were considerably delayed.

The commercial policy of the Danish Government has been traditionally one of free trade and of minimum interference with the production and marketing machinery of the nation. To this policy the government adhered until restrictions on Danish exports in foreign markets, continually declining prices, and increased pressure of farm-mortgage indebtedness brought about far-reaching governmental action, including a radical departure from its traditional free-trade policy.

A moratorium on payment of taxes and of interest on farm mortgages was granted in 1931. Some apparent relief was provided when Denmark left the gold standard on September 30, 1931. The Danish crown immediately fell to 80 percent of its par value and declined steadily until in May 1933 it stood at only 65 percent of its par value. In spite of this depreciation of the currency, prices of export products continued to decline, and as a result the government was compelled to consider legislation providing for readjustment of the financial obligations of farmers and for governmental regulation of domestic production and marketing activities.

In rapid order, measures were introduced into Parliament providing for fixed prices for sugar beets and the establishment of a sugar monopoly; control of the import trade through a system of "exchange certificates"; governmental control of the export trade; governmental control of hog production; establishment of minimum prices for all farm products sold in the domestic market; and a long series of measures designed to relieve the financial burden of farmers. Some of the latter include the reduction of mortgages on farm property, the reduction of interest rates on agricultural loans; and the extension of new credit to farmers through governmental agencies. Most of these measures have been enacted into law. In this report detailed attention will be devoted only to legislative enactments definitely providing for government intervention in support of prices.

1. *Import control measures.*—A law passed by the Danish Parliament on January 30, 1932, effective the same date, provided for the complete centralization

of foreign exchange dealings and of foreign trade generally under a bureau of the National Bank of Denmark. The law prohibited importation of any product except by individuals able to produce import permits or so-called "exchange certificates" issued by the national bank. These certificates were to be issued only in the event that the importation in question was held to be unobjectionable from an exchange standpoint. In this way the national bank was able to control the entire import trade of the country, whether in agricultural products, manufactured products, or essential raw materials. It was provided in the law that raw materials and products necessary to agriculture, industry, and the export trade would have priority in the issuing of such certificates. The adoption of this system of import control was considered to be necessary because of the drastic restrictions that had been placed on Danish exports in a number of foreign countries.

The law was rigorously applied to imports of all products until September 1, 1932. Effective that date certain ameliorations were announced. After September 1, 1932, import permits were no longer required for grain, sugar, feedstuffs, fertilizers, leaf tobacco, and tobacco stems, tea, coffee, cocoa, rice flour, unprepared hides and skins, seeds and fruits for oil crushing, vegetable fibers for brush making, and certain manufactured products. In other words, these products could be imported without any restrictions.

By a law of December 5, 1932, the Government adopted a policy with a somewhat different emphasis but similar in effect. This new law provided that all goods could be imported freely, with the exception of a list of products the imports of which, it was felt, should continue to be limited. This list of articles, however, included important agricultural and manufactured products which comprised about two thirds of Denmark's total imports. The law further provided that during 1933, each importer of the listed product would be entitled to import goods up to only 45 percent of the value in Danish crowns of the corresponding goods imported during 1931. Included in the list of goods, the imports of which are still controlled, are the following: Live animals, meat and slaughter house products, preserves and foodstuffs of animal origin, flour and grain products, fresh and dried fruits and vegetables, honey, refined and unrefined sugar, sirup, wine and spirits, and a list of manufactured products. For the importation of these items the procurement of "exchange certificates" remains in force. As before, the permits or "exchange certificates" must be obtained in advance by the importer from the exchange office of the National Bank of Denmark. The law indicated that as conditions in Denmark improve, it is the intention of the Government to remove goods from this restricted list. Decision in this matter is left to a committee appointed by the Government from the principal Danish commercial and industrial organizations.

An amendment to the law of December 5, 1932, was enacted on April 5, 1933. This amendment provided for the addition of egg yolks and whites of eggs for technical purposes, unground grain and pulse, feedstuffs, and seeds for sowing, to the list of products for which "exchange certificates" (import permits) must be secured prior to importation in Denmark. The significant feature of this amendment is that it represents a departure on the part of Denmark from its traditional policy of free imports of grain and feedstuffs. Statements issued by the Government indicate that the total imports of grain and feedstuffs will not be reduced by more than 25 percent of what they were in 1932, and that sources of such imports are to be regulated in accordance with commercial political purposes. The Government also announced that it was prepared to enact measures to prevent an increase in prices of bread.

2. *Danish sugar monopoly.*—By a law effective March 23, 1932, the sugar factories and refineries in Denmark were given a monopoly on the manufacture, refining, importation, and exportation of sugar. Under this law the imports and exports of sugar and sirup, as well as the production of refined sugar, can take place only with the permission of the Minister of Commerce and Industry. The low price of sugar in world markets had greatly affected the Danish sugar industry and on this account most of the factories and refineries in Denmark were in a difficult situation. Moreover, the growing of sugar beets had become unprofitable because of low prices and there was a tendency to replace beets with other crops. The monopoly system was set up in order to secure more favorable prices for beet growers and at the same time improve conditions for the sugar factories and refineries. The creation of the monopoly followed a period of agitation by the beet growers for relief which, on account of the financial crisis, the Government had for some time been reluctant to grant. A subsidy to the beet growers in 1930-31 had involved an expenditure of approximately \$240,000.

The law provided for a minimum price of 1.80 kroner per quintal (16.6 cents a 100 pounds, at exchange as of April 25, 1932) for sugar beets delivered at the factories. In order to make it possible for the factories to pay this price the retail price of sugar was fixed at 32 öre per kilogram (2.9 cents a pound, at exchange as of April 25, 1932). The law also provided that while the monopoly is in operation (i. e., from March 23, 1932, to November 30, 1933) the sugar factories and refineries may not pay dividends in excess of 4 percent. In case they cannot make sufficient profit to pay this dividend, the retail price of sugar will be increased up to 36 öre per kilogram (3.3 cents a pound, at exchange as of April 25, 1932). During 1931 an area of 60,000 acres was planted to sugar beets in Denmark. It is expected that this area will be increased under the monopoly regime to between 80,000 and 90,000 acres, which will be sufficient to satisfy Danish sugar requirements and thus render importations entirely unnecessary.

3. *Danish hog production control.*—The outstanding development in the Danish agrarian situation in recent years is the decision of the Government to control the production of hogs by regulating the number sent to the bacon factories by producers. This procedure was made necessary by reason of the restrictions placed upon imports of bacon by the British Government (see the United Kingdom, sections 1 and 5). The British restrictions on bacon imports were of especial significance to Danish agriculture since cured pork is one of the leading items in the Danish export trade. Approximately 99 percent of the Danish cured pork exports are marketed in the United Kingdom. Under the restrictions announced by the British Government late in 1932 the British imports of Danish bacon during December 1932 and January 1933 were limited to about 80 percent of the amount imported during the corresponding months of 1932. The application of the quota system, however, was subsequently extended to July 1, 1933. On that date the British Government will be obliged to bring into force a permanent restrictive policy as agreed upon at the Ottawa conference (see the United Kingdom). Under the arrangement in effect up to July 1, 1933, British imports of Danish bacon during March, April, May, and June are to be restricted progressively each month until by July 1, 1933, the total reduction will have amounted to 25 percent.

In order to meet the situation arising from the restriction imposed upon their main export outlet, the Danish exporters of cured pork immediately attempted to induce farmers to reduce offerings voluntarily. On December 16, 1932, the Danish cooperative and private slaughterhouses decided to suspend slaughterings entirely during the week between Christmas and New Year. It was also decided that effective December 19, 1932, the range of delivery weights upon which the weekly price quotations were made would be reduced and the penalties or price deductions for deliveries above or below the weight range would be doubled. Moreover, the amount of skim milk sent back to the farmers from the creameries was reduced in the hope that this would delay fattening and finishing the hogs for market.

Hog producers were warned that in view of the prevailing situation they should feed their hogs slowly and in such a manner as to avoid deliveries in excess of the quota limitations established in the British market. It was pointed out that unless steps were taken to reduce hog offerings voluntarily, drastic measures would have to be adopted to accomplish that end. Reports indicate that a form of voluntary reduction in hog deliveries to the bacon factories has been in effect. Under this voluntary system hog producers were given cards indicating the number of hogs they might properly deliver to the factories during specified periods. Deliveries in excess of that number are not refused by the factories but the prices paid are materially below the regular weekly price quotations for standard bacon-type hogs.

When it became evident during February 1933 that the British Government intended to continue enforcing quota restrictions on imports of cured pork, the Government of Denmark promulgated a law designed to relieve that situation. Certain provisions of this law went into effect at once; i. e., on February 21, 1933. The law was to remain in effect until May 1, 1934. The theory was that by that time the British policy in regard to import restrictions would be definite enough to enable Denmark to adopt a more permanent policy. Complete details as to the new law have not been received, but sufficient information is available to indicate that it provides for controlling deliveries of hogs by means of a fixed price system.

Among the various provisions of this enabling act were the following: (a) It authorized the Danish Minister of Agriculture, with the consent of the agricultural council, to take measures to regulate hog slaughterings and to limit hog

production; (b) it also authorized the Government to fix prices whereby a certain price would be paid for a certain number of hogs and a lower price for hogs offered in excess of the fixed number; (c) it authorized the Government to prohibit in certain municipalities the slaughtering of hogs which have not reached a live weight of 50 kilograms (110 pounds) or more; (d) it authorized the collection of a tax per delivered hog for promoting hog and bacon marketing, and to cover the costs of administering the law; and (e) it authorized the establishment of local commissions to assist in the execution of the law.

Complete details as to the price-fixing policy are not available, but it is known that the policy in general provides for the payment of fixed prices for deliveries up to a certain number and lower prices for deliveries in excess of that number. It is also known that a base price is to be paid for hogs required for export to England and to other export markets, while a lower price is to be paid for hogs entering into domestic consumption. The apportionment of the number of hogs coming under these two classes presents serious difficulties.

While no information is available as to the details for regulating the hog supply, it is known that the following has received serious consideration. Each farmer would be allowed to market a minimum of five hogs. Deliveries above that number would be regulated along the following lines: (a) According to the land taxes paid by the farmer; (b) according to the amount of milk the hog producer receives back from the creameries and cheese factories; and (c) according to marketings in the immediate past. It has been suggested that the first two of these items should each receive a weight of 40 percent, and the last a weight of 20 percent in determining the number of hogs a producer may market. In no case, however, would a producer market more hogs than in the past year. Latest advices indicate that the production-control measures were to go into effect on May 1, 1933. While the details are not available, it is certain that the measures will be designed to reduce the delivery of hogs to the slaughterhouses in accordance with the number permitted by the British quota arrangements and with the number required by the domestic market.

In connection with the collection of the tax above referred to, it was decided to tax each hog delivered to the slaughterhouses 2 Danish crowns (\$0.31 at exchange on April 17, 1933). The proceeds from this fund are to be used in furthering exports of Danish hogs and pork products.

Any attempt to reorganize the hog-producing industry in Denmark so as to meet the changed situation in the British market is rendered complicated by reason of the close connection between the Danish hog industry and the dairy industry. These industries are so intimately related in Denmark that enforced changes in the one must immediately react upon the other. The basis for this close relationship is the fact that the bulk of the skim milk is used on the farms for the fattening of hogs.

4. *Export restrictions.*—A law of December 23, 1932, authorized the Danish Minister of Agriculture to issue decrees upon recommendation of the agricultural council regulating the exportation of cattle and hogs and of all products derived from those animals, and of dairy products and eggs. The law provided that upon recommendation of the agricultural council the exportation of any of these products would be prohibited except by those holding permits issued by the Minister of Agriculture. The various quota restrictions in numerous foreign countries made it necessary for the Danish Government to adopt this measure in order to apportion exports among exporters in such a way as to conform with the quotas imposed by the foreign governments.

5. *Inspection and standardization of exports.*—Danish agriculture is noted for efficiency in the processes of production and marketing and for the high and dependable quality of its products. Farm cooperation has had much to do with the success achieved. While agriculturists in Denmark heretofore have been allowed to manage their business, including marketing and exportation abroad, with but little governmental interference, the Government has established standards for goods entering into export markets. Legislation enacted in 1906 and amended in 1911, for example, provided for the adoption of the so-called "Lur Brand" as the mark of guaranteed quality for butter. Use of this brand is permitted only to properly registered creameries. The creameries using the brand are supervised by Government dairy experts. Butter that does not come up to the Lur Brand standard is restricted to home consumption.

In the same way, Danish law requires that the Danish export trade in bacon be handled under the registered trade mark, "Lur Brand." The highest class bacon is stamped with the "Lur Brand" trade mark in red ink. Only products bearing the red stamp can be exported. Bacon placed in second class is stamped in blue and may be used only for home consumption. Eggs destined for the

export market are also subject to regulations designed to insure uniform weight, size, color, and quality. Definite standards of quality have been established and no eggs can be exported unless marked to indicate their grade and quality. Strictly fresh eggs must each be marked with the word "Danish." This mark can be applied only under the supervision of the Minister of Agriculture. In addition the various cooperative organizations maintain individual systems of marking. Thus the Danish Cooperative Egg Export Association maintains a system whereby each egg can be traced back to the individual producer.

6. *Other agrarian relief measures.*—Reference has been made in the introductory paragraphs to the fact that the Government of Denmark since the beginning of 1933 has been compelled to support sweeping measures of relief designed to ease the financial burden of farmers. No more than brief reference to these need be made at this time. They include the following: (a) Reduction of the value of the Danish crown to kr. 22.50 to the pound sterling or kr. 6.64 to the gold dollar; (b) reduction of interest rates; (c) reduction of taxes on agricultural property; (d) a moratorium to farmers with regard to all payments falling due on and after December 11, 1932; (e) a 3-year moratorium to farmers covering all debts over and above the assessed value of the farm of the debtor; (f) the establishment of a so-called "crisis fund" to be controlled by the state. The money for this crisis fund is to be used (1) to give loans to credit and mortgage associations to protect them against losses due to lapse of interest and part payments on their mortgages on agricultural property; (2) to advance loans to banks to support them during the present crisis; (3) to advance loans to individuals or organizations engaged in commerce and industry to relieve them of financial embarrassment caused by the moratoria granted their debtors; (4) to guarantee the banks against losses on loans they have advanced to further the scope of public or private undertakings; (5) to help stimulate private building by advancing loans until mortgages can be obtained; (6) to provide means for the purchase of credit association bonds to be converted into lower interest-bearing bonds. Many of these bills are still under discussion. One important bill that has been enacted into law is the moratorium law of March 10, 1933, providing for a moratorium on debts of agriculturists for 3 years.

EGYPT

The most important agricultural price-maintenance activities of the Egyptian Government are associated with the cotton-growing industry which so greatly predominates in Egyptian agriculture. Strenuous efforts have been made to bring about diversification in Egyptian agriculture, particularly by restricting cotton production and increasing cereal production. At the same time, however, the Government has attempted to aid other branches of agriculture not only through the medium of import restrictions, such as tariffs, but also, in the case of sugar, by setting up a quasi-governmental monopoly over the industry. Special attention has also been devoted during the past 2 years to expanding agricultural exports. In fact, government aid to agriculture has occupied the chief attention of all political parties in Egypt since the war.

1. *Tariffs.*—There has been a very definite upward trend in the Egyptian tariffs during the past 3 years. Increases were made sporadically on a long list of products during those years. The crowning event in this upward trend was reached on February 17, 1931, when the Egyptian Government increased the duties on a long list of agricultural and other products. The official comments accompanying this and previous increases pointed out that the permanent objective of the Government was to free Egypt from its dependence upon a single-money crop—cotton—and that the increases in the duties, in addition to providing revenue for balancing the budget, would supplement the cotton-restriction legislation by encouraging the production of other crops, particularly cereals and vegetables.

Among the products for which increases in the duty were established by the law of February 17, 1931, were meats, preserved milk, cheese, vegetables, rye, packaged cereals, certain animal and vegetable fats and oils, and a long list of products of the food-preparing industries. Earlier increases applied to sugar, tobacco, rice, wheat, and wheat flour; all classes of lupines, vetches, and other dry pulse; fresh fruits and dried prunes and apricots. In the case of wheat, wheat flour, and sugar the increases in the duties were such as virtually to prohibit their importation.

A few selected rates of duty, in effect as late as April 1, 1932, will serve to suggest the extent of the protection accorded Egyptian producers of agricultural products. The rates are given in Egyptian pounds and milliemes and are

per 100 kilograms unless otherwise stated. They are converted, in parentheses, to United States currency on the basis of the exchange value of the Egyptian pound as of April 1, 1932. (The Egyptian pound consists of 1,000 milliemes and was quoted at \$3.90 in United States currency on April 1, 1932.) The rates follow: Beef and veal, £0.600 (\$1.06 a 100 pounds); mutton and lamb, £0.900 (\$1.59 a 100 pounds); bacon, £1.350 (\$2.39 a 100 pounds); ham, £2.400 (\$4.25 a 100 pounds); butter, £2.400 (\$4.25 a 100 pounds); cheese, £1.800 (\$3.18 a 100 pounds), depending on type; eggs, £1.000 (\$1.77 a 100 pounds); apples, £0.240 (\$0.42 a 100 pounds); rice, husked and unhusked, £0.100 and £0.300 (\$0.18 to \$0.53 a 100 pounds), respectively; natural lard, £0.900 (\$1.59 a 100 pounds); vegetable fats and oils, £0.600 to £1.200 (\$1.06 to \$2.12 a 100 pounds), depending on type, when not used for the manufacture of soaps, colors, and varnishes; refined sugar, £0.900 (\$1.59 a 100 pounds). On leaf tobacco the rate is £1.000 per kilogram (\$1.77 per pound).

The above duties do not include the general quay tax of 10 percent of the duty levied on all imports, nor the additional surtax of 1 percent ad valorem on all imports applicable as of May 12, 1932. Moreover, in the case of sugar, an additional "excise tax" is imposed amounting to approximately \$15 per metric ton. In connection with the duty on tobacco it should be mentioned that the cultivation of tobacco has been prohibited by law in Egypt since 1890. There are two reasons for this prohibition: One is that the climate and soil are said to be unsuitable for tobacco, and the other is that if tobacco were grown in Egypt the enormous customs revenues derived from tobacco and tobacco products would be lost to the Government. Imported tobacco, therefore, provides the entire Egyptian supply. The Egyptian Department of Agriculture has been growing a small quantity of tobacco for experimental purposes since the war, but the quality of the product is said to be very inferior. Finally, it should be borne in mind that the above duties are those in effect as of April 1, 1932. Many tariff increases have been placed in effect since that time, particularly on fruits, fats and oils, rice, wheat and wheat flour (see sec. 2, following), leaf tobacco, powdered milk, macaroni, and vermicelli.

2. *Sliding-scale tariff system for wheat and wheat flour.*—In keeping with the government policy of increasing cereal crops and reducing cotton acreage, a large part of the abandoned cotton acreage (see "Control of cotton acreage" below) was planted to wheat and other grains. In order to maintain prices for the resulting increased production of wheat the Government, on February 9, 1931, adopted a system of sliding-scale duties for imported wheat and wheat flour. According to this plan, duties on wheat and wheat flour were regulated in relation to the prices quoted in British pounds sterling on the London exchange, for Australian wheat and wheat flour, delivered c.i.f. Egyptian ports.

The original law of February 9, 1931, provided that whenever Australian wheat was quoted in British pounds sterling on the London exchange, c.i.f. Egyptian ports, at 95 shillings or less per metric ton (\$0.63 a bushel at par), the duty was to be 485 milliemes per 100 kilos gross (\$0.65 a bushel at par). For each 5 shillings per ton (\$0.03 a bushel) advance in the quotation above 95 shillings, the duty was decreased on a varying scale by 20 or 25 milliemes per 100 kilos (2.7 cents or 3.4 cents a bushel). When the quotation was 160 shillings or more per ton (\$1.06 a bushel), the duty reached the minimum rate of 180 milliemes per 100 kilos (\$0.24 a bushel).

On wheat flour the duty was to vary as follows: When Australian flour was quoted on the London exchange, c.i.f. Egypt, at 120 shillings or more per metric ton (\$1.32 a 100 pounds at par) the duty was to be 670 milliemes per 100 kilos gross (\$1.50 a 100 pounds at par). For each 5 shillings per ton (5.5 cents a 100 pounds) advance above 120 shillings, the duty was decreased on a varying scale by 20 or 30 milliemes per 100 kilos (4.48 cents or 6.72 cents a 100 pounds). When the London price quotation reached 200 shillings or more per ton (\$2.21 a 100 pounds), the duty reached the minimum level of 320 milliemes per 100 kilos (\$0.72 a 100 pounds).

The sliding-scale schedule of duties provided for in the original law of February 9, 1931, has been revised upward several times since that date. The latest revision was made on September 13, 1932. The object of these increases was not only to stimulate the domestic production of wheat but also to protect the Government against losses on its wheat purchases and loans to growers. The Government several times in the past 2 years has made large purchases of wheat. It has also made advances to growers during the harvest season based on prices materially above prevailing market levels. By increasing the duties the Government has been able to keep price levels at or above those at which purchases were made or loans were advanced, in spite of declining prices in

world markets. The duties under the decree of September 13, 1932, are as follows:

Egypt: Sliding-scale tariff duties on wheat

[Based on London prices of Australian wheat, c.i.f. Egyptian ports]

When London quotations c.i.f. Egyptian ports are—		Rate of duty is—	
Sterling per metric ton	In United States currency per bushel ¹	Milliemes per 100 kilos	In United States currency per bushel ²
£8 or over.....	\$0.75	740	\$0.71
£7/15 to £8.....	\$0.72- .75	760	.73
£7/10 to £7/15.....	.70- .72	780	.75
£7/5 to £7/10.....	.68- .70	805	.77
£7 to £7/5.....	.65- .70	825	.79
£6/15 to £7.....	.63- .65	850	.81
£6/10 to £6/15.....	.61- .63	870	.83
£6/5 to £6/10.....	.58- .61	890	.85
£6 to £6/5.....	.56- .58	915	.87
£5/15 to £6.....	.54- .56	935	.89
£5/10 to £5/15.....	.51- .54	960	.92
£5/5 to £5/10.....	.49- .51	980	.94
£5 to £5/5.....	.47- .49	1,000	.96
£4/15 to £5.....	.44- .47	1,025	.98
£4/10 to £4/15.....	.42- .44	1,045	1.00
£4/5 to £4/10.....	.40- .42	1,075	1.03
£4 to £4/5.....	.37- .40	1,090	1.04
£3/15 to £4.....	.35- .37	1,110	1.06
£3/10 to £3/15.....	.33- .35	1,135	1.08
£3/5 to £3/10.....	.30- .33	1,160	1.11
£3 to £3/5.....	.28- .30	1,180	1.13
Less than £3.....	.28	1,205	1.15

¹ Converted to United States currency on the basis of \$3.4222 to the British pound sterling, the rate of exchange on Apr. 1, 1933.

² Converted to United States currency on the basis of \$3.5099 to the Egyptian pound, the rate of exchange prevailing on Apr. 1, 1933. The Egyptian pound consists of 1,000 milliemes. At par it is worth \$4.9431, as compared with \$4.8665 for the British pound sterling.

Egypt: Sliding-scale tariff duties on wheat flour

[Based on London prices of Australian wheat, c.i.f. Egyptian ports]

When London quotations c.i.f. Egyptian ports are—		Rate of duty is—	
Sterling per metric ton	In United States currency per barrel ¹	Milliemes per 100 kilos	In United States currency per barrel ²
£10 or over.....	\$3.04	832	\$2.60
£9/15 to £10.....	\$2.97- 3.04	852	2.66
£9/10 to £9/15.....	2.89- 2.97	882	2.75
£9/5 to £9/10.....	2.81- 2.89	902	2.81
£9 to £9/5.....	2.74- 2.81	922	2.88
£8/15 to £9.....	2.66- 2.74	942	2.94
£8/10 to £8/15.....	2.59- 2.66	962	3.00
£8 to £8/5.....	2.43- 2.51	1,012	3.16
£7/15 to £8.....	2.36- 2.43	1,032	3.22
£7/10 to £7/15.....	2.28- 2.36	1,052	3.28
£7/5 to £7/10.....	2.21- 2.28	1,072	3.35
£7 to £7/5.....	2.13- 2.21	1,092	3.41
£6/15 to £7.....	2.05- 2.13	1,122	3.50
£6/10 to £6/15.....	1.98- 2.05	1,142	3.56
£6/5 to £6/10.....	1.90- 1.98	1,162	3.63
£6 to £6/5.....	1.83- 1.90	1,182	3.69
£5/15 to £6.....	1.75- 1.83	1,202	3.75
£5/10 to £5/15.....	1.67- 1.75	1,222	3.81
£5/5 to £5/10.....	1.60- 1.67	1,252	3.91
£5 to £5/5.....	1.52- 1.60	1,272	3.97
Less than £5.....	1.52	1,292	4.03

¹ Converted to United States currency on the basis of \$3.4222 to the British pound sterling, the average rate of exchange on Apr. 1, 1933.

² Converted to United States currency on the basis of \$3.5099 to the Egyptian pound, the rate of exchange prevailing on Apr. 1, 1933. The Egyptian pound consists of 1,000 milliemes. At par it is worth \$4.9431, as compared with \$4.8665 for the British pound.

3. *Control of cotton acreage and marketing.*—The Egyptian Government has endeavored to bolster prices of cotton by restricting acreage and also by various supplementary activities in connection with marketing of the crop for many years. Until quite recently (1932–33) the policy has been to restrict cotton production and to increase the production of wheat and other cereals. With an upward tendency in prices of Egyptian cotton and a steady decline in wheat and corn prices during 1932, sentiment in Egypt shifted toward a relaxing of the cotton acreage restrictions. There follows a brief summary of the regulations respecting cotton acreage since the World War and a résumé of the marketing activities of the Government in connection with cotton.

(a) *Earlier government intervention.*—As already indicated, Government intervention in connection with the production and marketing of cotton in Egypt is not a new thing. Legislation designed to restrict the cotton area was enacted in 1915, 1918, 1921, 1925, 1926, and 1931. Because of the favorable trend of the cotton market during the period of the first three laws, i.e., of 1915, 1918, and 1921, it was considered unwise and inexpedient to enforce the restriction. The law of 1925 was intended for application to the 1926 cotton crop, but it was not promulgated until after the farmers had made all preparations for their crop acreages for the 1925–26 agricultural year. The enforcement of the decree would have resulted in an incomplete utilization of the farm land in some areas. For that reason the law was repealed. The law of 1926, which was intended to cover cotton plantings for the Egyptian agricultural years 1927–28, 1928–29, and 1929–30, limited the number of acres that could be planted to cotton in any one year during that period to one third of the total arable acreage. Because cotton prices advanced during the life of the decree it was not rigidly enforced.

A decree (no. 20) regarding the cultivation of Sakellaridis cotton was issued on February 5, 1931. Under this law the planting of Sakellaridis outside of the northern zone of the Delta was entirely forbidden "for the 3 years ending with the cotton season of 1933", i.e., the cotton acreages planted in 1931, 1932, and 1933. The law further provided that the planting of Sakellaridis cotton in the northern Delta zone, to which its cultivation was restricted, would be limited during these years to 40 percent of the arable land held by the producer in that area. On September 27, 1931, however, the Government issued a decree (no. 113) reducing still more the area of land upon which a farmer could plant Sakellaridis cotton in the Delta. In this decree it was provided that during the agricultural year 1931–32 (i.e., applicable to the cotton acreage planted in 1932) no one in the northern zone of the Delta could plant cotton of any variety, including Sakellaridis, on more than 30 percent of the land cultivated by him. It was assumed that after the 1931–32 crop year, however, the acreage restriction in that region would be 40 percent as provided for in the original law (no. 20) of February 5, 1931.

Another decree of September 27, 1931 (law no. 112) laid down the program for cotton planting (during 1932) in areas outside of the northern zone of the Delta. This decree forbade any person to plant cotton in the regions outside of the northern zone of the Delta during the agricultural year 1931–32 on more than one fourth of the arable land held by him.

Thus, the acreage restriction for the 1931–32 agricultural year limited the 1932 planting of cotton in the northern Delta region to 30 percent of the arable area and in other parts of Egypt to 25 percent of the arable area. Because of an upward trend in cotton prices and poor returns from grain, particularly wheat, Egyptian policy regarding the cotton restriction laws rapidly underwent a change during 1932. Public opinion expressed itself as favoring the planting of cotton in both the northern Delta region and in other parts of Egypt to the limit consistent with the maintenance of a desirable crop rotation. In two decrees issued on November 17, 1932, applicable to the 1933 plantings of cotton, the acreage restrictions were considerably ameliorated. The new regulations will probably result in permitting a total cotton acreage as large as would have resulted in the absence of any restrictions whatsoever since it is believed that few Egyptian farmers would care to plant more than the amount of cotton permitted by the new decrees. Full details as to the acreage regulations applicable to the 1933 plantings are given in subsection (b) following.

(b) *Acreage restriction laws now in effect.*—Two decrees (nos. 53 and 54) were issued on November 17, 1932, providing for the control of the area planted to cotton in 1933 in both the northern zone of the Nile Delta and in other parts of Egypt.

The decree law no. 53, applicable to the 1933 cotton acreage, provided that the acreage devoted to the production of cotton in 1933 in all regions except the northern zone of the Delta, will be restricted to 50 percent of the lands held by the producer. The restriction for the 1932 cotton acreage limited the cultivation of cotton in regions outside of the northern zone of the Delta to 25 percent of the lands held by the producer. (See reference to law no. 112 of Sept. 27, 1931, in subsection (a) above). The decree of November 17, 1932, therefore, represents a material relaxation in the cotton acreage restriction regulations for this part of Egypt. The law also provides that it will be illegal to cultivate Sakellaridis cotton in these parts of Egypt. The production of that type of cotton is permitted only in the northern zone of the Delta.

The decree law no. 54, also applicable to the 1933 cotton acreage, definitely prohibits the cultivation of Sakellaridis cotton in any other part of Egypt except certain designated areas in the northern zone of the Delta. Furthermore, the law places restrictions on the acreages that may be devoted to Sakellaridis and to other varieties of cotton in that northern zone. In respect to Sakellaridis no person is allowed to produce that type of cotton on more than 40 percent of the arable land held by him. In respect to other varieties of cotton in this zone no person is permitted to cultivate such varieties on more than 50 percent of the arable land. The acreage restrictions for the northern zone of the Delta, just as in the case of the restriction for other parts of Egypt, represent a material relaxation in the acreage control measures which were applied to the 1932 acreages. In regard to cotton plantings that year the law had provided that no one in the northern zone of the Delta could devote more than 30 percent of the arable land to the cultivation of Sakellaridis or any other variety of cotton.

In the case of both decrees (i.e., nos. 53 and 54) of November 17, 1932, it was provided that waste lands are not to be taken into account in determining the acreage that may be devoted to cotton. In both instances the calculation of the lands "held" and planted in cotton by a person is to be made village by village, and all in excess of the percentages stipulated in the decrees, is to be considered illegal cultivation. Any violation of the acreage restriction regulations is not only punishable by imprisonment and fine but, in addition, the Minister of Interior is authorized to destroy the excess growth of cotton.

As an aid to the enforcement of the decree restricting the cultivation of Sakellaridis cotton, the Egyptian Ministry of Agriculture issued an order late in 1932, limiting the quantity of Sakellaridis cottonseed that may be sold for planting purposes during the 1933 planting season to 200,000 ardebs (53,400,000 pounds). It is estimated that this quantity of seed will plant about 485,440 feddans (503,887 acres) and will be sufficient to meet all requirements under the restriction decree of November 17, 1932, applicable to the 1933 Sakellaridis crop in the northern zone of the Delta.

The method to be followed in limiting the amount of seed to be sold for planting is very simple. Under what is known as the "seed control law", all growers are required to obtain special authority from the Ministry of Agriculture to pick cotton that they wish to use for seed. If this authority is not obtained, the seed cannot be used for planting. In addition to this, all seed for planting must be examined by an agent of the Ministry, who will issue a certificate stating that all the requirements of the law have been met. The seed may then be sold for planting purposes.

(c) *Marketing activities by the Government.*—The Government has also been active on the marketing side. While the laws limiting cotton acreage in Egypt had for their main objective the increase of prices of Egyptian cotton, particularly the premiums paid for Sakellaridis, the Government did not depend entirely upon such decrees to bring about the desired results. The Government began purchasing Egyptian cotton early in 1921 when prices were declining. These purchases by the Government continued intermittently down until 1931. No detailed statistics are available as to the total purchases and sales by the Government during these years. It has been officially announced, however, that the total supplies in the hands of the Government at the beginning of 1931, when further purchases were discontinued, amounted roughly to 3,500,000 kantars (725,000 bales of 478 pounds each).

The stocks of cotton held by the Egyptian Government eventually proved to be a serious depressing factor on the market, because of uncertainty of the future sales policy of the Government. This situation became so unsatisfactory that the International Federation of Master Cotton Spinners and Manu-

facturers held a conference with Egyptian Government officials in Cairo late in January 1931 with a view to working out some solution. This conference resulted in a definite announcement in February 1931 by the Egyptian Government that it would not again intervene in the market by further purchases and that it would not attempt to make further sales of Government stocks until after September 1, 1931. Beginning on that date it would dispose of its stocks at a rate not to exceed 500,000 kantars (103,607 bales) of cotton annually. At that rate of sale it was estimated that the Government stocks would be liquidated in 6 or 7 years. In March 1931, however, the Agricultural Syndicate and the Alexandria Produce Association announced jointly that they intended to launch an active program for the sale of Egyptian cotton (including Government stocks). The Government itself appropriated 50,000 Egyptian pounds (\$250,000) for advertising Egyptian cotton through representatives of the Egyptian Government abroad. The Egyptian cotton trade objected so rigorously to the departure of the Government from its previously announced cotton sales policy that the Government agreed to replace stocks sold abroad by purchasers of equivalent quantities on the domestic market.

Late in August 1931, the Government definitely announced that its future policy with regard to the sale of the Government stocks of cotton would be as follows: (1) That the Government stocks of approximately 3,600,000 kantars (746,000 bales) would be sold in annual portions of about 500,000 kantars (104,000 bales); (2) that the Government would not compete with the Egyptian exporters in foreign markets already developed by the Egyptian exporters, and if any sales were made in such markets they would be limited to cotton that could not be supplied by the local exporters; and (3) that none of the Government stocks were to be sold in the Egyptian market except in cases where it could be shown that the cotton demanded was indispensable to the continuance of mill activity. Considerable quantities, however, of Government stocks were disposed of in subsequent months, and when the cotton market displayed great weakness in April and May 1932 the Government issued a communique (on May 9, 1932) to the effect that it would make no further sale of its stocks and no further shipment of its cotton abroad on consignment until August 31, 1932. On that date (i.e., May 9, 1932) the Government stocks were placed at 1,867,500 kantars (387,000 bales).

In spite of this announced policy it soon became evident that considerable quantities of Government stocks were being disposed of. The Government announced that without exception the sales took place at market prices. It was stated, moreover, that many of the sales consisted of varieties not available in the open market because of existing acreage restrictions, and that they did not for that reason compete with offerings by local merchants and producers. Finally, the Government pointed out that most of the sales which it had made were placed in countries which had not used Egyptian cotton previously. For that reason the Government operations were actually expanding the market for Egyptian cotton. Semiofficial statements placed the quantities of cotton still held by the Government on December 31, 1932, at only 1,495,644 kantars (310,000 bales) as compared with 2,627,177 kantars (544,000 bales) held on December 31, 1931. According to the latest official reports (April 1933), the sales of Government stocks then being made consisted only of varieties that could not be supplied by the Egyptian trade itself.

4. *Government aid to exporters.*—As a result of the Government program of "less cotton and more food crops" and a year of ideal growing conditions, Egypt found herself in 1932 with prospects of relatively large surpluses of wheat, barley, corn, onions, beans, and rice, and declining prices. It was felt that the local supply of all food crops would have to be reduced by exports before any advance in local prices could be expected. The Government accordingly gave its support to the promotion of Egyptian exports of these products. In line with this policy it proposed to adopt a system of bounties on exports. The proposals for the payment of export bounties were submitted to parliament but as far as can be ascertained the system was adopted only for beans and corn. The Government, however, has adopted rigorous measures to improve the quality and grade of Egyptian products sent to foreign markets. These measures will be discussed in more detail in the following paragraphs.

(a) *Subsidy to bean exporters.*—The cotton acreage restriction program of the Government resulted, among other things, in an increase in the area devoted to the production of beans. This in turn resulted in flooding the local market with beans. In order to relieve the situation the Government on June 30, 1932, decided to pay an export bounty on beans. Under the arrangement

established at that time the Government agreed to guarantee each exporter a profit of at least 3 piasters per ardeb of 155 kilograms (\$0.03 per 100 pounds at exchange of June 30, 1932). The arrangement amounted in effect to a sliding scale formula whereby beans exported at a price that did not give exporters a profit of at least 3 piasters per ardeb would be subsidized by the Government. It was provided, however, that in no case was the total amount paid by the Government to exceed 10 piasters per ardeb (\$0.11 per 100 pounds).

The first result of this measure was to stimulate an active interest in finding foreign outlets for beans. However, it was soon found that the exporters were all trying to sell to the same foreign customer and that in their effort to close sales they were underquoting each other to such an extent that the entire bean market was depressed. Foreign buyers, therefore, decided to wait for even lower prices. The Egyptian Ministry of Agriculture then revised the sliding-scale scheme. Under the new plan the European market was divided into regions in which the various local exporting houses were each given exclusive selling privileges. The new plan also provided for the payment of a flat subsidy per ardeb varying with the difficulties to be overcome in each territory. For example, instead of the old formula of 10 piasters per ardeb (0.11 per 100 pounds), exporters to France received 15 piasters (\$0.16 per 100 pounds) because of the tariffs to be met in that market. Less disruption of prices and less competition among exporters was expected to result from the new plan.

(b) *Subsidy for corn exporters.*—On November 18, 1932, a decree was issued by the Egyptian Ministry of Finance authorizing the payment of a subsidy of 5 piasters per ardeb (\$0.03 per bushel) on corn exports. The decree provided that in order to secure this subsidy exporters must submit customs certificates to the Ministry of Finance showing the actual amounts exported. The Ministry of Finance was authorized to exercise close supervision over exports so as to assure the payment of the subsidy only on corn of good quality. The Ministry of Finance was also given the authority to alter the amount of the subsidy in accordance with the prices paid for corn in important foreign markets.

Early in 1933 it was brought to the attention of the Government that the forthcoming corn crop in Egypt probably would not exceed Egyptian requirements. In that event the exportation of large quantities of corn under the stimulus of the subsidy would leave the farmers an insufficient supply for their own needs. It was pointed out that little would be gained if the farmer, who was forced to sell his corn in order to meet his debts and taxes, would be compelled to buy corn later on in the season. It was, therefore, proposed that the exportation of corn be suspended until the outcome of the new crop was definitely known. It was also proposed that steps be taken to assure that the national supply of corn would not be jeopardized, and that 1,000,000 ardebs (5,500,000 bushels) be purchased and stored by the credit bank. If the crop should be less than the country's requirements the purchased stocks could be sold at a small profit. If the crop should prove to be adequate, the stock could be exported on the basis above described. No information is available relative to the acceptance or refusal of this program by the Government. It is known, however, that the Government abandoned the export subsidy on corn on February 28, 1933.

(c) *Aid to the onion exporters.*—The onion market at Alexandria early in March 1933 was practically closed, due to the refusal of growers to accept the prices offered by exporters. In view of the seriousness of the problem the Government was asked to grant some form of relief. Late in March, however, the Government announced that as a general policy it was opposed to any form of market interference in connection with onions and that as long as exporters made no attempt to control prices the Government would not enter the market. The Government, however, proposed the following relief measures: (1) That freight rates on onions from upper Egypt to Alexandria be reduced as much as 50 percent; (2) that the Government use its influence to persuade steamship companies to reduce freight rates on onions; and (3) that congestion on the Alexandria market be relieved by limiting loadings of onions in the interior for a period of 2 weeks to a maximum of 30,000 bags per day.

(d) *Export quality control.*—In order to inspire increased confidence on the part of the foreign importers of Egyptian farm products as well as to safeguard the interests of Egyptian exporters, the Government set up a system of control over exports of farm products in a decree of December 5, 1932. The decree provided that all products that might from time to time be made

subject to its application could be exported only under permits issued by the Bureau of Export Control. It was also provided that such permits would be issued only when the product in question conformed to such official requirements as to grades, standards, packing, etc., as may be laid down from time to time by the Minister of Finance. The decree provided for seizure and confiscation of products exported in violation of the law. As far as can be ascertained the law as yet has been made applicable only to exports of eggs and onions.

5. *Semiofficial monopoly of the sugar industry.*—On February 12, 1931, the Government announced that an agreement had been entered into by the Government and the "Societe Generale des Sucreries et De La Raffinerie D'Egypte" whereby the latter binds itself to increase sugar production in Egypt to the limit determined by the Government while the Government agrees to protect the sugar company from foreign competition. The entire plan is based on close cooperation between the Government and the sugar company and the aim is to increase the local production of sugarcane. The monopoly is to remain in effect for a period of 14 years, but it is subject to cancelation by either party at the end of 5 years.

On its part the sugar company undertakes: (a) To increase its production of sugar to the limit determined by the Government; (b) to buy such quantities of sugarcane grown in Egypt as may be required to manufacture the amount of sugar determined by the Government, at prices fixed by the Government; (c) in case of an insufficiency of domestic cane, to import and refine enough foreign sugar to supply the needs of the country, the amounts and conditions of importation being determined by the Government; (d) to refrain from exporting sugar without the authorization of the Government; and (e) to sell sugar for local consumption at prices fixed by the Government. On its part the Government, in addition to the foregoing production and price-regulating activities, undertakes to regulate the customs regime so as to reserve the Egyptian market for home producers. With this end in view the import duties on raw and refined sugar were increased to prohibitive levels on February 22, 1931. (See Tariffs, above.) In the case of an insufficient supply of sugar to meet domestic requirements, however, the Government reserves the right to reduce the customs duties to the extent deemed appropriate. The importation and refining of the required quantities of foreign sugars in such a contingency is to be done by the sugar company under special conditions established by the Government. The Government will share in the profits of the sugar company according to a fixed schedule.

ESTONIA

The Government of Estonia has adopted many measures in behalf of its farmers in recent years. Estonia maintains high tariffs on a long list of industrial and agricultural products in order to protect domestic industry, but the main reliance of the Government, as far as aid to agriculture is concerned, has been on other measures. Outstanding among these latter are government monopolies, import licenses, and export bounties. All of these are designed to influence prices either by regulating imports or by promoting exports of farm products.

1. *Tariffs.*—Estonia maintains tariffs on a wide range of agricultural products. She is on an import basis for such products as wheat, rye, barley, oats, wheat and rye flour, fresh and dried fruits, sugar, tobacco, rice, and a long list of other food products but she produces an export surplus of such commodities as butter, eggs, cheese, bacon, flax, hides and skins, and potatoes. Duties are maintained on practically all of the agricultural products imported and exported. The Government in recent years has been doing everything possible to reduce the unfavorable trade balance of the country and the duties on many products have been increased.

A decree of July 20, 1931, converted all Estonian tariff duties from the former gold-franc basis to an Estonian kroon basis (\$0.268 at par). The same decree increased the duties on practically all products. The new tariff schedule set up general and minimum rates, the latter applying to merchandise from the United States and all other countries enjoying most-favored-nation treatment. The general tariff rates are approximately double the minimum rates. Since the above date, however, the Government has increased the rates on a considerable number of products. Brief reference to some of the existing rates on agricultural products will serve to indicate the extent to which tariffs are utilized

in Estonia for the protection of the local agrarian interests. The rates given are the minimum rates applicable to imports from the United States.

In the case of wheat and wheat flour the present (Apr. 1, 1933) rate is still the same as in the original law of July 20, 1931, namely 0.11 kroon per kilo (\$0.80 per bushel) for wheat, and 0.29 kroon per kilo (\$6.91 per barrel) for sifted wheat flour. The duty on unsifted wheat flour has also remained at 0.18 kroon per kilo (\$4.29 per barrel). On December 12, 1931, the duty on tobacco, leaf and stalk, was increased to 3 kroon per kilo (\$0.36 per pound), and on margarine and lard substitutes to 0.40 kroon per kilo (\$0.05 per pound). Increases were also ordered at the same time on rice, coffee, sugar, and various vegetable oils. Effective June 2, 1932, the duty on corn was increased to 0.20 kroon per kilo (\$1.36 per bushel); on apples and pears, to 1.50 kroon per kilo (\$0.18 per pound) on dried prunes, to 0.75 kroon per kilo (\$0.09 per pound) and on refined animal fats to 0.25 kroon per kilo (\$0.03 per pound). Effective July 14, 1932, the duty on unhusked rice was raised to 0.20 kroon per kilo and on husked, polished, or unpolished rice to 0.25 kroon per kilo (\$0.02 and \$0.03 per pound, respectively). The duties on sugar, coffee, tea, copra, and palm kernels were also increased at the same time. On raw sugar of all kinds the duty was placed at 0.30 kroon per kilo (\$0.036 per pound) and on refined sugar, at 0.35 kroon per kilo (\$0.043 per pound). On August 20, 1932, the duties were increased on large raisins, dates, dried peaches, and dried apricots. On October 3, 1932, a duty of 0.10 kroon per kilo (\$0.012 per pound) was placed on raw cotton, which had previously been on the free list.

2. *Government monopoly of the grain trade.*—The Estonian Government now exercises a complete monopoly over the wheat and rye trade of the country whereby it regulates imports and maintains fixed prices for the domestic product. The origin of the present system goes back to July 12, 1930, when the so-called "grain protection law" was passed. This law authorized the Government to declare a state monopoly for the purchase, sale, import, and export of wheat, rye, and wheat and rye flour and to delegate its rights under the law to selected private individuals or firms. The "grain-protection law" laid down the general outlines of the manner in which the rye trade of the country should be regulated and provided that the wheat trade of the country could be controlled and regulated by the Government on a similar basis whenever it saw fit to exercise such authority.

(a) *Control of the rye trade.*—Originally the above law was made effective only in regard to rye. The regulations issued for the control of the rye trade of the country provided that only the Government or its agencies were authorized to purchase surplus rye (i.e., rye other than seed grain and food requirements). It was provided that the Government purchases would be made at a price fixed annually in accordance with the average cost of production. The importation of rye and rye flour can be carried on only by the State or by private persons or enterprises to whom official permits for that purpose have been issued. Such permits are issued by the ministry of economic affairs only to those private persons and enterprises who purchase rye or rye flour from the State or from the State agencies.

The Government fixed its 1930-31 basic purchasing price for domestic rye at 0.175 kroon per kilo (\$1.19 per bushel). At the same time a system of grading was adopted according to which the basic price could be increased or decreased depending upon the quality of the rye. A number of local grain merchants and cooperative societies were delegated under contract with the Government to purchase the domestic rye crop. These merchants and societies had to purchase all the rye offered to them by growers at the prices fixed by the Government. The resale of such grain, however, could not be made except upon special authorization from the Government. The basic resale price of the Government-owned rye during the 1930-31 season was fixed at 0.19 kroon per kilo (\$1.29 per bushel).

The Government delegates its authority to import rye to the same merchants and agencies to whom it delegates its authority to purchase the domestic rye crop. The amount of foreign rye to be imported is fixed in proportion to the amount of the home crop. The regulations during the 1930-31 marketing season permitted these merchants and agencies to import two units of the relatively cheap foreign rye for each five units of the more expensive domestic product purchased. This enabled the preparation of a rye mixture which could be marketed at a price considerably lower than would have been the case had Estonian rye alone been used.

The rye trade law was subsequently extended to the 1931-32 harvest and marketing season. On September 3, 1931, the Government announced that the basic Government purchasing price for domestic rye during the 1931-32 season would be 0.15 kroon per kilo (\$1.02 per bushel). No information was available as to the actual selling price of the new crop of rye. Considerable stocks of 1930 rye were carried over by the Government into the 1931-32 crop year. The Government announced that these carry-over stocks would be sold at 0.15 kroon per kilo (\$1.02 per bushel). The Government at the same time stated that the importation of foreign rye would be entirely prohibited during the 1931-32 crop year until the carry-over from the 1930 crop was disposed of. The loss on the sale of the 1930 stocks at 0.15 kroon per kilo (\$1.02 per bushel), when it cost the Government 0.175 kroon per kilo (\$1.19 per bushel), was expected to be offset by later imports of cheap foreign rye which the Government would sell at a corresponding profit to the local mills.

Stocks of rye held by the Estonian Government at the end of the 1931-32 season were so large that for a time it seemed certain that the Government would not continue its purchasing operations for another season. However, the Government decided to continue the rye monopoly during 1932-33. It was believed that by a further restriction of rye imports the Government would be able to sell most of its reserves during the season. The average price at which the Government was to purchase surplus domestic rye during the 1932-33 crop year was fixed in September 1932 at 6.14 kroon per kilo (\$0.95 per bushel). Recent announcements indicate, however, that only part of the rye is being paid for in cash. A considerable quantity is being paid for in receipts which the Government will accept from the farmers in payment of taxes and other obligations.

(b) *Control of the wheat trade.*—As already mentioned, the original "Grain protection law" of July 12, 1930, also gave the Government the right to exercise a monopoly over the wheat and wheat-flour trade of the country. On March 12, 1931, therefore, the Government established a program for the purchasing and marketing of the wheat crop. The procedure adopted differed considerably from that established for rye. With regard to rye, all transactions in domestic rye are made by agents of the Government, which is the actual purchaser and seller. In the case of wheat, on the other hand, the large flour mills of the country are the purchasers. The Government, however, maintains what amounts to actual supervision of the entire scheme, inasmuch as it has entered into a contract with the millers to maintain a prohibitive duty on foreign wheat flour as long as the millers buy all of the wheat offered to them by the farmers at the prices fixed by the Government. By the arrangement in effect the Estonian mills have obtained complete elimination of competition on the part of imported flour while the Estonian farmers are guaranteed a market for their wheat at fixed prices, which are practically 100 percent higher than the world market prices for the corresponding grades and quality of foreign wheat.

The following were the outstanding features of the contract between the Estonian Ministry for Economic Affairs and the large Estonian flour mills for the purchase of wheat from the Estonian farmers during the 1931-32 crop year: (1) The mills agreed to purchase from the farmers or their cooperative societies such quantities of domestic wheat as might be offered for sale up to September 15, 1932; (2) these purchases would be made on the condition that the existing import duty on wheat flour in the amount of 0.29 kroon per kilo (\$6.91 per barrel), and the import duty on whole wheat in the amount of 0.11 kroon per kilo (\$0.80 per bushel) would not be lowered; (3) the price to be paid for wheat purchased from the farmers during the 1931-32 season was to range from 0.18 kroon to 0.22 kroon per kilo (\$1.31 to \$1.60 per bushel) at the point of delivery.

At the same time the mills agreed not to increase or decrease the price of domestic wheat flour but to hold it at its existing level. Prices of wheat flour could be increased only in case increases in the price of wheat on the world market took place. Such increases in price were to be in proportion to the increase in wheat prices. In the event of a decline in wheat prices on the world market the millers obligated themselves to decrease the price of domestic wheat flour proportionately. The increases and decreases in the prices of wheat on the world markets were to be computed on the basis of price quotations by the Hamburg Exchange. The above-mentioned increases or decreases in the price of domestic flour could be effected only when acting in cooperation with the Ministry for Economic Affairs.

The following table gives the Government-fixed prices at which the mills in Estonia were to buy all of the domestic crop offered by producers:

Estonia: Government-fixed prices for domestic wheat, crop year 1931-32

Grade	Weight per unit of Holland system	Permissible maximum			Purchase price	
		Moisture	Admix- ture	Sprouting	Per kilo	Per bushel ¹
	<i>Pounds</i> (²)	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Kroon</i>	<i>Dollars</i>
Best.....		15	1.0	1	0.22	1.60
I.....	128-131	15	1.5	2	.21	1.53
II.....	125-131	15	2.5	3	.20	1.46
III.....	122-125	15	3.5	3	.19	1.39
IV.....	118-122	15	4.0	4	.18	1.31

¹ Conversions into United States currency made at par (1 Estonian kroon equals \$0.268).

² Over 131.

The contracts under which the flour millers agreed to purchase at fixed prices all of the domestic wheat offered to them during the 1931-32 season were to remain in effect only for 1 year, but subject to renewal in August 1932. However, the Government refused to renew the agreement with flour millers at the beginning of the 1932-33 season. As a result the wheat market in Estonia remained free except that the Government announced it would not grant import licenses for wheat until the supplies of domestic wheat were entirely exhausted. The refusal to renew the contract with flour millers was based on the fact that the 1932-33 wheat harvest was expected to cover domestic requirements until the next harvest. If the contract system had been renewed the millers would automatically have had the right to import wheat in at least some fixed ratio to domestic purchases. By refusing to renew the contracts the Government was in a position to prohibit imports entirely. The flour millers, however, assumed the obligation to maintain the price of domestic wheat at a fairly high level by paying 0.19 to 0.20 kroon per kilo (\$1.39 to \$1.46 per bushel), which is only slightly below the 1931-32 contract level.

3. *State import monopoly.*—On November 7, 1931, the Estonian Government passed an enabling measure authorizing the Government to take complete charge of imports of certain commodities and to exercise its influence upon questions pertaining to the selection of countries from which such imports should be made. The law also authorized the Government to delegate whatever rights it might reserve for itself in connection with the regulation of imports to selected private firms or individuals. Statements given out by the Government concurrently with the publication of this law, pointed out that the intention of the Government is to regulate imports and to confine such imports as far as possible to countries which purchase Estonia's exports. In other words, by limiting imports to specific countries Estonia hopes to secure for itself permanent export markets for the goods which she is prepared to export. The law of November 7 did not specify how this end was to be brought about, but left the details to be covered in the form of special regulations.

Accordingly a second law was passed on November 7, 1931, providing that only such persons or firms would be allowed to engage in the import trade as had secured for themselves so-called "first guild" licenses for the year 1932. This law automatically made it impossible for numerous commission merchants, speculators, agents, and small firms to compete in the importation of merchandise. Subsequently it was decreed that the importation of certain classes of commodities would be subject to licenses to be secured by the "first-guild" firms. The list of commodities to which the above-mentioned import license system was applicable at the end of June 1932 included wheat, corn, oats, barley, flour, fresh apples and pears, oranges, bananas, lemons, grapes, pineapples, dried apples and prunes, dried apricots, dried peaches, dried pears, raisins and currants, nuts, sugar, potatoes, beans, peas, lupines, vetches, grits, groats, prepared condiments, butter substitutes, lard, fish, seeds, leaf tobacco, honey, tea, coffee, malt, hops, macaroni and vermicelli, hides and skins, casein, milk, cream, butter, margarine, lard substitutes, eggs and egg products, and a long list of manufactured products.

While the necessity for securing licenses to import these commodities has been abolished in some instances it is noteworthy that wherever this requirement was removed the import duties on the same product were at once increased to high levels. Moreover, imports of such products are still subject to control by reason of the restrictions on sales of foreign exchange by the Bank of Estonia. In general it can be said that the above system of import monopoly has a twofold objective: (a) The restriction of all import operations to the lowest possible level consistent with the requirements of the country, and (b) the limitation of imports to such countries as are willing to purchase Estonian goods in return.

4. *Bacon price stabilization and export subsidy.*—A law enacted in Estonia on March 26, 1930, effective April 14, 1930, provided for the establishment of a fund to be used for the promotion of hog raising and for the stabilization of bacon prices. This fund was to be handled by the National Mortgage Bank at Tallinn. Contributions to the fund were to be made on the basis of the number of hogs exported from Estonia, the source and amounts of the contributions per hog from the various sources being as follows:

Estonia: Source of contribution to the Hog Promotion Fund

Source of contribution	Contribution per hog exported	
	<i>Estonian kroon</i>	<i>Dollars</i>
From State budgets in the period 1930-31 to 1935-36.....	2.10	0.56
From State taxes assessed against slaughter houses slaughtering for domestic trade..	.90	.24
From slaughter houses slaughtering for the export trade.....	3.60	.96
Total.....	6.60	1.76

In regard to the manner in which this fund was to be used the law provided that 40 percent of it was to be devoted to the promotion of hog raising and the remaining 60 percent to the stabilization of bacon prices. A special committee was appointed to supervise the promotion of hog raising. Nothing was said in the original law as to the exact amount of subsidy to be paid in order to stabilize bacon prices. This, however, was provided for in a subsequent decree. The law provided, however, that subsidies were to be paid to raisers of the bacon hogs in the form of export bounties whenever the market price of first-grade bacon falls below the standard prices fixed by the Government.

The payment of subsidies on bacon exports, as provided for in the law of March 20, 1930, began in October 1930. The subsidies, however, were paid only in cases where the official quotations in London for Estonian bacon fell below 80 shillings per hundredweight (\$17.38 per 100 pounds). When this situation arose the Estonian bacon exporters were paid a subsidy in Estonian currency equal to the difference between 80 shillings per hundredweight and the highest official London quotation below that figure.

In December 1930 the above quotation requirement of 80 shillings per hundredweight was reduced to 72 shillings (\$15.64 per 100 pounds) and the maximum premium payable to farmers for each hog was not to exceed 10 kroon (\$2.68 at par). At the same time the weight of the hogs entitled to this premium was limited to from 60 to 72 kilos (133 to 160 pounds). Lighter and heavier hogs were allowed only 50 percent of the maximum premium paid. These provisions have been continued in force up to the present time (April 1, 1933).

Although the above-mentioned contributions to the stabilization fund were fixed at specific rates in the original law, the actual contributions by the slaughterhouses seem to have been based on a sort of sliding-scale basis varying with the quotations on Estonian bacon in the London market. According to the information available these contributions by the slaughterhouses began at 0.70 kroon per hog when the quotation in London for Estonian bacon stood at 90 shillings per hundredweight. The contributions seem to have reached the maximum of 3.60 kroon per hog only when the London price touched 119 shillings per hundredweight. Beginning with December 1930, the London range of quotations was narrowed so that the minimum contributions per hog began when bacon prices stood at 82 shillings per hundredweight and the maximum contributions were required when prices stood at 111 shillings per hundredweight.

On December 21, 1932, these regulations were revised so as to make the slaughterhouses pay 0.55 kroon (\$0.14) per hog to the fund for each hog exported from Estonia regardless of the quotations on Estonian bacon in the London market as long as that quotation remained below 75 shillings per hundredweight. At the same time it was provided that the maximum contribution would have to be made when the London bacon quotation stood at 104 shillings per hundredweight.

The contributions to the above stabilization fund in the form of budget allotments were abandoned toward the end of 1932 in favor of an arrangement whereby the Ministry of Economic Affairs was authorized to take money for that purpose from a fund that was to be established for the general furtherance of exports (see subsec. 5, Aids to exporters).

5. *Aids to exporters.*—By a decree of December 13, 1932, the Estonian Government placed a tax of 15 percent ad valorem upon all bank payments to firms and persons located abroad as well as upon all transfers of local currency to foreign account. The proceeds of this tax are placed in a special fund in the Bank of Estonia whence they will be distributed to Estonian exporters in the form of premiums paid on all exports in order to promote the Estonian export trade. This 15 percent tax is to remain in effect until August 31, 1933. After that date the rate is to be reduced in amount by one half percent monthly.

A decree regulating the disposition of this fund was issued on January 17, 1933. On the basis of this decree a premium is to be paid to exporters during the period January 15 to September 1, 1933, amounting to 7 percent of the value of foreign exchange derived from exports and sold by exporters to the Bank of Estonia. This premium is to be paid to registered exporters of all Estonian products except to exporters of bacon, eggs, and butter. It was announced that special regulations would be issued later to cover exports of each of these products.

A decree of January 18, 1933, contained regulations for the payment of this premium on exports of butter. This decree provided that whenever the domestic wholesale price of butter does not exceed 1.50 Estonian kroon per kilo (\$0.18 per pound) during the period January 8 to December 31, 1933, registered exporters would be given a premium for foreign exchange sold to the Bank of Estonia, provided that the foreign currency thus offered for sale is not in excess of the value of the butter exports in the same period. The actual amount of the premiums to be paid vary according to the month. Thus during January, February, and March it will be 30 percent of the value in Estonian currency of the foreign currency sold; during April and May it will be 20 percent; in June, July, August, and September it will be 5 percent; in October and November it will be 10 percent; and in December 15 percent.

An interesting feature of the decree is the provision that during the first months (January–March) the Minister for Economic Affairs shall effect all payments of premiums, on the account of the special fund, in the form of fodder, for which purpose the rye purchased by the Government (see sec. 2) will be used. This shall take place at prices and in amounts to be determined by the Government. The premiums payable in cash are to be paid each month to the dairies by the Bank of Estonia. The premiums received by the dairies are to be paid in their entirety to the individuals from whom the dairies purchased the milk. No deductions or suspensions of premium payments may be made by the dairies nor can liens be made upon premiums for claims.

6. *Exclusive tariff preferences with other Baltic States.*—Some measure of export aid has presumably also been afforded to Estonian exporters of farm products to the other three Baltic States (Latvia, Lithuania, and Finland) by arrangements effected from time to time for special tariff consideration on products exported from each of these countries to the other. In general the tariff policy of the four Baltic countries (Estonia, Latvia, Lithuania, and Finland) has been more or less influenced by the fact that all of them were formerly a part of the Russian Empire. The formation of an economic unit out of the three smaller States (Lithuania, Latvia, and Estonia) has been frequently discussed but has never materialized. The four States, however, have concluded a series of treaties with each other in which they have made it a practice to insert a clause providing that any special favors granted to each other would not be extended automatically to any third country, even though the third country may enjoy most-favored-nation treatment. This clause has tended to restore to some extent the freedom with which commerce moved between those areas when they were still a part of the old Russian Empire. This exception

has been quite generally accepted by other nations in their treaty negotiations with the Baltic countries, through the embodiment of the so-called "Baltic clause" reservation.

FINLAND

Although about two thirds of the population of Finland live by agriculture, Finland is not agriculturally self-sustaining. This is particularly true in respect to cereals and grain products, of which considerable quantities have to be imported. The unsatisfactory situation which has confronted farmers in all parts of the world in recent years has forced the Government of Finland to take active measures toward relieving the agricultural situation within her own boundaries. These measures, as far as price-influencing legislation is concerned, have been confined largely to tariffs and other regulations controlling the import trade in cereals.

1. *Tariffs*.—Finland has maintained fairly high tariffs on agricultural products for several years, but marked increases were made in the duties on a number of products during 1930 and 1931. Some of the agricultural commodities affected by such increases were wheat, rye, barley, oatmeal, flour, rice, apples, sugar, tobacco, live animals, meat products, oleomargarine, and potatoes. A Finnish law of December 31, 1931, provided for numerous changes, mostly increases, in the import duties which were to be levied during 1932.

Finland endeavors to protect her wheat-milling industry by levying duties on wheat-flour imports disproportionately higher than those imposed on imported wheat. During 1930, for example, the duty on wheat was 1 Finnish mark per kilo (\$0.69 per bushel at par) and on wheat flour 1.50 Finnish marks per kilo (\$3.36 per barrel). Under the 1931 tariff the duty on wheat flour was raised to 2.10 Finnish marks per kilo (\$4.70 per barrel) while that on wheat was left unchanged. Late in 1931 the duty on wheat was increased to 1.25 Finnish marks per kilo (\$0.86 per bushel) while the duty on wheat flour was raised to 2.50 Finnish marks per kilo (\$5.60 per barrel). On the basis of $4\frac{1}{2}$ bushels of wheat to a barrel of flour, it can be seen that the flour miller in Finland was thus protected by a duty equivalent to about \$1.24 per bushel on the wheat equivalent of the flour imported. On January 1, 1933, the duty on wheat was increased to 1.30 Finnish marks per kilo (\$0.89 per bushel at par).

A law of December 29, 1930, providing for new tariffs on various products, also set up a system of sliding-scale duties for rye. This law stipulated that the import duty on rye of 1.25 Finnish marks per kilo (\$0.80 per bushel at par) shall be levied only when the market price for imported rye is below 1.25 marks per kilo (\$0.64 per bushel at par) and that the tariff of 1.45 marks per kilo (\$1.66 per 100 pounds) for unbolted and of 2.25 marks (\$2.57 per hundred pounds) for bolted rye flour shall only be levied when a tariff of 1.25 marks per kilo is levied on rye. This was an effort to prevent a rise of bread prices above a certain level. The tariff rates mentioned were in force throughout 1931 and the first quarter of 1932, but for the period April 1, 1932, to September 1, 1932, the rates were reduced because of higher prices. Beginning with October 1, 1932, however, the old rates again came in force.

Finland is a party to a series of treaties concluded between the four Baltic countries—Estonia, Latvia, Lithuania, and Finland—providing for reciprocal concessions in the duties of each on various products coming from the other, thus restoring a measure of the freedom with which trade moved between those countries when they were still a part of the old Russian Empire (see Estonia, above).

2. *Milling and mixing regulations*.—For certain cereals other than wheat, namely, rye and oats, Finland employs, in addition to the tariff, more direct measures of import restriction in the form of milling and mixing regulations. A law of September 30, 1931, authorized the Government to fix the proportion of domestic rye to be used in milling rye flour, the proportion of domestic oats to be used in the manufacture of oatmeal, and the proportion of domestic rye flour to be mixed with imported rye flour. Wheat and wheat flour were not included. The law is to remain in force until January 1, 1936.

The new law authorizes the Government at the beginning of each crop year to fix the amount of domestic rye and oats that must be used in making rye flour and oatmeal and the percentage of rye flour made from domestic rye that must be mixed with any imports of rye flour before the imported product can be placed on the market. The law provided that these amounts must be

fixed at such a figure as would guarantee that all domestic grain which fulfills milling requirements would find an adequate outlet in Finland.

A feature that distinguishes the Finnish law from similar laws enforced in many of the other European countries is the provision that the proportion of domestic grain to be used may not be fixed at such a level as will increase the price of domestic grains above that of the customs cleared value of the foreign product. The customs cleared value of the foreign product, of course, would be the c.i.f. price plus landing charges, port dues, etc., and the tariff. Thus, what these mixing regulations come to, in the last analysis, is that they are designed to guarantee the disposal of all of a given year's crop of domestic rye and oats in the domestic market at the same prices at which imported grains would sell in Finland. That is to say, they are designed to assure that the duties of approximately 80 cents per bushel at par on imported rye and 9 cents per bushel at par on imported oats shall be fully effective in relation to prices paid for the domestic crop.

In accordance with this law the proportion of domestic rye to be used in milling rye flour was subsequently fixed at 30 percent; the proportion of domestic oats used in making oatmeal at 70 percent; and the proportion of domestic rye flour to be mixed with foreign rye flour at 30 percent. The State is authorized, however, to change these percentages or to suspend them entirely in accordance with the domestic supply situation. The law also provides that the percentage of domestic rye flour that must be mixed with the imported may not be fixed at a figure that will exceed that fixed for the mixing of domestic with imported rye. While the law authorizes the Government to fix the amounts of domestic oats that must be used in making oatmeal it does not provide for the compulsory mixing of certain amounts of domestic-made oatmeal with imported oatmeal. However, it requires all importers of oatmeal to present certificates showing that they have purchased a quantity of domestic oatmeal which sustains such a percentage to that imported as may have been provided for from time to time by special decrees relating to the compulsory utilization of domestic grain.

All mixing of grains and rye flour must be done under the supervision of the customs authorities. In order to secure the certificates required to import oatmeal the importer must inform the Government at least a week in advance of customs clearance as to the quantity of goods to be cleared, the probable date of clearance, the name of country of origin or trade mark used, and evidence that he has purchased a quantity of domestic-made oatmeal that corresponds to the proportion of domestic oats used in making oatmeal.

Finland: Minimum percentages of domestic grain required in milling

Mixing period	Minimum domestic required ¹		
	Rye	Rye flour	Oats ²
	Percent	Percent	Percent
Sept. 30, 1931, to Apr. 30, 1932.....	30	30	70
May 1 to July 6, 1932.....	5	5	70
July 7 to Sept. 14, 1932.....	5	5	5
Sept. 15 to Sept. 30, 1932.....	60	60	90
Oct. 1, 1932, to Feb. 15, 1933.....	60	60	90
Feb. 16 to Mar. 15, 1933.....	30	30	90
Mar. 16, 1933.....	5	5	90

¹ Goods for export or reexport are not subject to these mixing regulations.

² The importation of oatmeal is permitted only when the importer can show that he has purchased $2\frac{1}{2}$ times as much domestic-made oatmeal as he desires to import.

3. *Export certificates.*—A law of December 29, 1928, effective January 1, 1929, established a system of export premiums, in the form of export certificates, for eggs and bacon. Exports of eggs (hen eggs) and bacon under this law are granted export certificates, the value of which is as high as the import duty on the respective product. These certificates may be used any time within 6 months from the day of issue in payment of the tariff on imported eggs, bacon, fat, lard, rye, and barley to the extent of their value. The certificate regulations, however, were altered by another law dated April 17, 1931, which stipulated that export certificates can only be sold to cooperatives, wholesalers

(importers), or importing flour mills. Within 6 months of issuance the owner of the certificate can import duty free an amount of hen eggs, salted, smoked, or fresh pork, lard (raw and rendered), rye, barley, wheat, and flour made from rye, barley, or wheat for which the existing tariff corresponds to the nominal value of the certificate.

4. *Protection of farmers against eviction proceedings.*—As a result of the numerous eviction proceedings in 1931, a law was enacted in May 1932, effective May 14, 1932, whereby farm property sold by auction in default of payment by the owner could be purchased by the State or redeemed by it, within 20 days after sale, for such price as was obtained at the auction sale. Farm property secured by the Board of Colonization in accordance with the provisions of this law was to be used for settlement or other purposes decided upon by the Ministry of Agriculture. The intention, however, seemed to be to give first choice to farmers who had been deprived of their property by eviction proceedings.

5. *Moratorium for Finnish farmers.*—By a law approved on May 10, 1932, there was granted to farmers whose financial position was intrinsically sound, but who had become indebted, the right to apply for a postponement of certain payments, but not beyond November 1, 1933. Debts not affected by such moratoria were taxes, foreign debts, insurance premiums, wages and salaries, interest on debts, etc., and debts contracted after the law became effective. If the application of a farmer for a moratorium was considered to comply with the requirements of the law, and after having heard the creditor or creditors, the governor of the Province could declare the moratorium for the applicant.

6. *Special action to meet foreign-trade restrictions.*—By a law of January 13, 1933, the Finnish Government was authorized to apply retaliatory measures against imports from any foreign country which adopted measures restricting the market for Finnish merchandise. Should the importation of Finnish goods into a foreign country be hampered by increases in import duties, by the introduction of special taxes, by the direct restriction of imports, by curtailing the amounts of foreign exchange available for imports, or by any other means, the Finnish Government may immediately apply corresponding measures to imports into Finland from that country. The law provided, however, that this authority could be utilized only while Parliament is not in session and any decrees issued are subject to subsequent approval or disapproval when Parliament convenes.

7. *Export bounties on cheese and butter.*—Under a Finnish law of December 21, 1932, bounties intended for the stabilization of prices are to be paid during 1933 on all exports of butter and cheese that meet Finnish export requirements as to grade and quality. The maximum amounts payable as bounties are 3 Finnish marks per kilo (1.95 cents per pound at exchange prevailing on December 21, 1932) on butter and 2 marks per kilo (1.30 cents per pound) on cheese, the amounts paid being automatically reduced if the wholesale price of the commodity should rise above a given amount. Reports from commercial sources indicate that internal taxes have been imposed on margarine and certain fats and feedstuffs in order to supply the funds for the payment of the above-mentioned bounties.

As indicated above the price-stabilization premiums are to be reduced if the wholesale prices of butter and cheese rise above a certain amount. In this connection the law provides that the full maximum premium of 3 marks per kilo on butter will be paid if the wholesale price of butter is 20 marks or lower per kilo (13.05 cents per pound). When the wholesale price of butter is more than 20 marks but not exceeding 23 marks per kilo (15.01 cents per pound), the amount of the premium is to be that amount by which the wholesale price of butter falls below 23 marks per kilo. In regard to cheese the law provides that the full maximum premium of 2 marks per kilo is to be paid when the wholesale price of cheese is 11 marks or lower per kilo (7.18 cents per pound). When the wholesale price of cheese is more than 11 marks but not more than 13 marks per kilo (8.48 cents per pound), the amount of the premium shall be that amount by which the wholesale price falls below 13 marks per kilo.

FRANCE

Maintenance of a strong and prosperous agriculture in the French national economy has long been the policy of the French Government, and measures designed to raise the prices of farm products have accordingly had a prominent place during recent years in French plans for agrarian relief. Although French

agriculture as a whole approaches a self-sufficiency basis, France is on an import basis not only for essential raw products which she does not produce, such as coffee, cotton, etc., but also for many which she does produce, such as wheat, corn, meats, tobacco, various fruits, etc. Among her price-maintenance measures, therefore, restrictions on imports have been of particular importance. These restrictions have included not only tariffs but also such supplementary devices as milling and mixing regulations, import quotas, import licenses, and sanitary restrictions and prohibitions. Other measures include production premiums and direct price fixing.

1. *Tariffs*.—France maintains a maximum and a minimum schedule of duties, but many of the rates which she imposes fall between these extremes. The minimum rates apply to all countries with which France has most-favored-nation agreements. The United States does not have such an agreement with France. With respect to agricultural products, the United States nevertheless obtains the benefit of the minimum rates for the greater part of the exports to that market, including such items as wheat, wheat flour, corn, oranges, apples, raisins, prunes, lard, oleaginous raw materials, certain vegetable oils, oil cake, hops, and still other products. There are, however, a number of items, including oats, barley, rye, buckwheat, rice, eggs, certain legumes, sugar, potatoes, and others, which are subject to the maximum rates. Still other products, such as margarine, certain edible fats, certain kinds of cheese, certain grass seeds, certain vegetable oils, wool and wool grease, pay rates lower than the maximum but higher than the minimum. On the other hand, certain agricultural products are permitted free entry into France. Among them are such important items of American agricultural exportation as cotton and tobacco, the latter being free, however, only when imported by the Government tobacco monopoly. Hemp, flax, and some other items are also admitted free.

The post-war period in France began with a system of prohibitions and licensing of imports of many products, including agricultural products, in order to afford protection to French industry under the abnormal conditions of the time. This policy, however, was gradually abandoned in favor of a system of ad valorem surtaxes in addition to the amount of the specific duties provided for in the tariff schedule. This surtax system, adopted in June 1919, was intended to reestablish, so far as possible, the protective effect of the pre-war tariff rates, which had been greatly diminished owing to the general increase in prices. Later in 1919 the surtax system was abandoned in favor of a so-called system of "coefficients of increase." In general the coefficient system simply consisted in multiplying the specific rates provided for in the tariff schedule by so-called "coefficients." The announced purpose of the new system was to bring about a readjustment of the pre-war tariff duties to post-war price levels and to the new economic conditions. The actual result of the system was to increase the protective character of the French tariff considerably above the pre-war level. All of the above-mentioned measures had been effected by decrees which the Government had been authorized to issue under a law enacted on May 6, 1916. This authority to amend customs duties by administrative action lapsed on December 31, 1922.

From that date until August 3, 1926, the various increases made in the French tariffs were effected by the customary legislative procedure. On August 3, 1926, however, the Government was again given authority to change duties by administrative decrees. This authority was granted in order to enable the Government to adjust tariffs in accordance with the value of French currency. It was not until March 1927 that the French Government adopted a general revision of the customs tariff. Since the new rates were based to a large extent upon those actually in effect at that time, the duties in general were far above the pre-war levels. In this general revision increased duties on agricultural products had a prominent place. While there has been no general upward revision in the French tariff since 1927, the duties on a wide range of commodities, including farm products, were increased from time to time. A reference to some of the outstanding changes in 1931 and 1932 will serve to indicate the current trend.

On February 10, 1931, the duties on sugar and sugar products were materially increased. The new rates were not announced until April 15, but were made retroactive to February 10. The increase applied to raw and refined sugar, molasses, confectionery products, condensed milk containing sugar, and to fresh and dried sugar beets. On July 16 the general rates on sugar were doubled. Up to that time both the maximum and the minimum rates on sugar were the same. On refined sugar, the maximum rate (which applies to sugar

from the United States) was increased from 170 to 340 francs per 100 kilos (\$3.02 to \$6.04 a 100 pounds). On March 27, 1931, duties were materially increased on live hogs, fresh and chilled pork, salted bacon (in raw state), bacon, hams, ribs, and a number of manufactured pork delicacies, following several upward revisions in the rates on pork and pork products of earlier date. On October 8, 1931, the duty on hops was increased from 250 to 800 francs per 100 kilos (\$4.45 to \$14.22 a 100 pounds) under the maximum tariff and from 125 to 400 francs per 100 kilos (\$2.22 to \$7.11 a 100 pounds) under the minimum tariff. On April 21, 1932, the French import duties on dried prunes were doubled. The new minimum rates of duty on dried prunes, applying to imports from the United States, are as follows: On prunes packed 80 or less per half kilo, and on prunes in boxes or cases, whatever the size of the fruit, 160 francs per 100 kilos gross (\$2.84 a 100 pounds); on all other dried prunes, 120 francs per 100 kilos gross (\$2.13 a 100 pounds).

The duties on practically all grains and grain products have been revised upward on numerous occasions in recent years, and the year 1931 saw further increases in them. The minimum duty on wheat, for example, has been increased from 19.6 cents per bushel on January 1, 1927, to 85.4 cents per bushel (at par of exchange) at the present time (May 1, 1933), this latter rate having become effective on May 22, 1930. This rate applies to wheat from the United States. Until July 16, 1931, the minimum and general rates on grain and grain products were the same. On that date, however, a new law increased (in most cases doubled) the general rates on a long list of products, including grain and flour, but left the minimum rates unchanged. The general rate on wheat is now \$1.71 per bushel at par. This same law also increased the general rates on certain live animals and on eggs. On April 28, 1931, the duty on rye and rye flour was increased from 21 to 35 francs and from 35 to 70 francs per 100 kilos (from \$0.21 and \$0.35 per bushel and from \$0.62 to \$1.24 per 100 pounds), respectively. As mentioned above, the general rate on rye and rye flour was the same as the minimum rate until July 16, 1931, when the general rates were doubled. The following rates of duty at the present time (May 1, 1933) applicable to imports from the United States will serve to indicate the height of the tariff barriers against American agricultural exports, conversions being at par: Crude lard, \$4.45 per 100 pounds; refined lard, \$6.22 per 100 pounds; fresh or chilled pork, \$8.89 per 100 pounds; frozen pork, \$4.62 per 100 pounds; hams, salted or in brine, raw, not prepared, \$7.11 per 100 pounds; hams, uncooked, smoked, boned, rolled, \$16.36 per 100 pounds; bacon, raw, salted, not prepared, \$5.33 per 100 pounds; bacon, uncooked, smoked, boned, \$12.27 per 100 pounds; corn, \$0.24 per bushel; wheat, \$0.85 per bushel; wheat flour, from \$4.46 to \$6.45 per barrel, depending upon the extraction ratio; eggs, fresh or preserved, \$1.28 per 100 pounds; and apples, \$0.27 per 100 pounds. All of the above products and many others upon which duties are levied are also subject to a general surtax. On the commodities above mentioned this surtax ranges from 2 to 4 percent *ad valorem*.

As a further defensive measure against foreign competition the French Government on November 16, 1931, established a system of so-called "compensatory exchange surtaxes", by means of which a special duty or tax is imposed on all goods imported from countries with depreciated exchange. The amount of the special compensatory tax depends on the extent of the exchange depreciation in the country of origin.

2. *Milling regulations*.—In common with several other European countries France has been attempting for several years to control and regulate the competition of foreign wheat in the domestic market by limiting the amount of imported wheat that may be used in the manufacture of bread flour. The beginning of the present regime of milling restrictions in France dates back to the enactment on November 30, 1929, of an enabling act giving the Government the authority to compel millers to use a fixed percentage of domestic wheat in their milling activities. In accordance with this act the French Government on December 15, 1929, forbade millers to use less than 97 percent domestic wheat in the manufacture of wheat flour. This percentage, however, has been changed from time to time in accordance with the domestic supply and price situation. It should be noted that this law applies to foreign wheat used for bread making and not to wheat imported from the French possessions in North Africa. Wheat from the latter areas is subject to special quota restrictions (see Import Quotas).

The wheat produced in France is usually very soft and low in gluten content. For that reason flour millers always have to import some quantities of the

harder wheats. The quality of the 1932 crop was the best in a number of years. The record size of the crop, moreover, was believed to be sufficient to meet the needs for home consumption requirements. The Government accordingly restricted the use of foreign wheat for bread flour on December 2, 1932, to 1 percent. This made it necessary for millers to confine their imports of foreign wheat to the very best qualities of hard wheat obtainable. On April 16, 1933, the Government decreed that nothing but domestic wheat could be used in making bread flour, thus effectively closing the market to foreign wheat entirely.

The French Government also enforces mixing regulations for imported durum wheats used in the manufacture of semolina, macaroni, and other wheat pastes. The object of this measure is to protect durum wheat producers in the French possessions of North Africa, namely, Tunisia, Algeria, and French Morocco. Effective August 1, 1932, to July 31, 1933, the minimum amounts of North African durum wheats that must be used in the manufacture of these special flours in France was fixed at 97 percent. The corresponding ratio enforced from July 15, 1931, up to July 31, 1932, was 90 percent. The percentage enforced during the 1930-31 season up to July 15, 1931, was 70. This regulation of course affects durum wheat exports from the United States to France. The French millers prefer American and Canadian durum wheats for mixing purposes in the manufacture of these special products. Canadian wheat, however, is handicapped by a duty of 160 francs per 100 kilos (\$1.71 per bushel), as compared with a duty of only 80 francs per 100 kilos (\$0.85 per bushel) applicable to wheat from the United States. In view of the higher duty on Canadian wheat, as above indicated French millers tend to import most of the 3 percent permitted by law from the United States.

France: Fixed minimum mixing percentages for domestic wheat, 1929-33

Mixing period	Mini- mum do- mestic re- quired	Maxi- mum for- eign per- mitted	Mixing period	Mini- mum do- mestic re- quired	Maxi- mum for- eign per- mitted
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
Dec. 15, 1929, to July 26, 1930.	97	3	Mar. 16 to 20, 1932.....	70	30
July 27, 1930, to Apr. 14, 1931.	90	10	Mar. 21 to 25, 1932.....	65	35
Apr. 15 to 17, 1931.....	85	15	Mar. 26 to Apr. 1, 1932.....	60	40
Apr. 18 to 27, 1931.....	80	20	Apr. 2 to May 5, 1932.....	55	45
Apr. 28 to June 16, 1931.....	75	25	May 6 to 23, 1932.....	60	40
June 17 to 30, 1931.....	70	30	May 24 to 27, 1932.....	55	45
July 1 to 3, 1931.....	75	25	May 28 to June 16, 1932.....	50	50
July 4 to 9, 1931.....	80	20	June 17 to 23, 1932.....	55	45
July 10 to 24, 1931.....	85	15	June 24 to 29, 1932.....	60	40
July 25 to Nov. 24, 1931.....	90	10	June 30 to July 8, 1932.....	65	35
Nov. 25, 1931, to Jan. 29, 1932.	97	3	July 9 to Aug. 1, 1932.....	75	25
Jan. 30 to Feb. 8, 1932.....	90	10	Aug. 2 and 3, 1932.....	85	15
Feb. 9 to 11, 1932.....	85	15	Aug. 4 to Dec. 1, 1932.....	97	3
Feb. 12 to 23, 1932.....	80	20	Dec. 2, 1932, to Apr. 15, 1933..	99	1
Feb. 24 to Mar. 15, 1932.....	75	25	Apr. 16, 1933.....	100	0

Notwithstanding the regulations relating to the amount of foreign wheat that could be used in milling, considerable quantities are said to have been used in excess of the stipulated percentages. The original law applied only to wheat used in the manufacture of flour, and all wheat declared for a purpose other than human consumption (animal feed, seeding, etc.) could be imported freely. It was found that much of the wheat imported in this manner found its way to the mills and was used for mixing with domestic wheat. In order to strengthen the enforcement of this device the Government on November 10, 1931, issued a decree requiring that all wheat imported into France for purposes other than for human consumption be colored so as to render it impossible for use in the manufacture of flour. Furthermore, the entire import trade in wheat and wheat flour was placed under a licensing system whereby imports cannot be made except under licenses issued by the Government (see import licensing).

3. *Import quotas or contingents.*—A law dated March 29, 1910, gave the French Government the authority to adopt whatever measure it deemed advisable to counteract the effects of restrictions that might be raised against French exports in foreign markets and to check imports which were considered as likely to harm domestic industries or to force prices of similar domestic products

below a profitable level. This original law was subsequently incorporated into article 17 of the law of December 28, 1926, which codified all of the various laws and decrees relating to French customs.

Under this article the French Government has adopted a number of measures designed to regulate and control imports. Among the most important of these is the policy of sharply limiting imports by means of so-called "quotas or contingents." Under this law the Government either fixes the absolute quotas or quantities of various products that may be imported into France during any specified period or establishes so-called "contingents" whereby imports from each country are limited to or contingent upon the quantities imported during some previously specified period. Many of the products to which this policy has been applied figure in the commercial treaties between France and other countries. The terms of most of these commercial treaties restrain France from increasing the duties on specified products, but the new quota or contingent policy has proved to be a means of regulating competition without actually contravening the agreements.

During 1931 quotas and contingents were established for such agricultural and semiagricultural products as timber, wine, livestock, fresh, frozen, and preserved meats of all kinds, live poultry, eggs and egg products, refined sugar, chicory, fresh and condensed milk, flax, cheese, butter, and bananas. The various decrees establishing quotas for these items simply specified the maximum quantities of each that could be imported legally during 1931. The import quotas at that time were not fixed by countries but were admitted without curtailment from any country until the fixed quota had been exhausted. Late in 1931 (Oct. 9, 1931), however, and during 1932, the manner of enforcing the quotas was modified. Under the new arrangement the quotas were not only fixed for specified months, but they were allotted by countries.

New quotas were established in 1932 for a long list of agricultural and non-agricultural products. Among the agricultural products were such items as corn (destined for feeding), bran derived from any grain, barley and barley flour, canned tomatoes, peas, string beans and carrots, vegetable tanning extracts, hides and skins, potatoes, almonds, fresh peaches, nectarines, apricots, pears, apples, plums, cherries, grapes, currants, gooseberries, strawberries, and quinces. Moreover similar quota arrangements were also established for all of the products that had been subject to the old quota limitations during 1931. The contingent feature of this entire scheme lies in the fact that the actual quantities that may be imported from time to time are limited either to the absolute quantities or to a certain percentage of the quantities actually imported during some previously specified period. In other words, the imports are made contingent upon the quantities imported during specified base periods.

Though the imports of wheat from the French possessions in North Africa are exempt from the general mixing percentage restrictions applying to foreign wheat, the amounts that may be imported from those areas are regulated by quotas. Once each year, usually late in May or early in June, the French Government estimates the total amount of wheat which may be imported from these areas free of duty. When this total amount has been determined decrees are issued specifying the exact amounts that may be imported during specified periods from each of the three areas. Although, once in the French market, this wheat takes the same status as domestic wheat so far as the general mixing regulations are concerned, article 5 of the law of November 30, 1929 (see mixing regulations), contains the provision that the French Minister of Agriculture can determine by decree the percentage of durum wheat of Algerian, Tunisian, and Moroccan origin to be used compulsorily by manufacturers in making semolina, macaroni, and other wheat pastes.

4. *Import licensing.*—The quota scheme above described seems, however, to have fallen short in controlling imports to the extent desired by the Government. This became evident in 1931 when it appeared that the volume of imports of livestock and meat products and dairy and poultry products were not being controlled in excess of the amounts permitted under a strict compliance with the quota law. Accordingly, by a decree of November 19, 1931, a general system of licensing for importers of agricultural products was authorized. The new law provided that, subject to certain exceptions to be determined by a special committee, all importers must first obtain a license in order to import any of the products to be designated as subject to licensing requirements. Livestock, meat, dairy, and poultry products were immediately placed on the list. Other products were subsequently added.

As already indicated under "Milling regulations", the French Government had applied the licensing system to wheat imports by a decree of 1931. On that date the Government issued a decree stipulating that, until further notice, importers and millers could not purchase foreign wheat, except under a license granted by the Department of Agriculture. The new decree also provided that the quantity of wheat imported should not exceed that mentioned in the license, and that importers could sell foreign wheat only to millers. The importer must be able to account for the wheat at all times either by showing that it is still in his warehouse or by showing a miller's license to account for its sale. The millers, in turn, are prohibited from selling foreign wheat except by special authorization of the minister of agriculture. They must at all times be prepared to account for the quantity purchased either by showing that it is still in their possession or has been milled in accordance with the quota law of November 30, 1929.

A further obstacle to the sale of foreign bread grains in France was created by the governmental decree of February 14, 1932, which established a system of import licenses and restrictions in regard to the importation and sale of wheat and rye flour similar to that employed for wheat. Such flour can be imported only when import permits have been secured under regulations prescribed by the French Department of Agriculture. After importation, the flour may be sold only to a miller or baker. Such foreign flour may not be sold or used for bread making or for other alimentary purposes except on the basis of the established mixing regulations for foreign and domestic grain (see mixing regulations above). It is stated that the purpose of these permits is to facilitate the enforcement of the milling regulations and not to restrict imports from any particular country by refusing to issue an import license. By a decree of September 16, 1932, effective October 1, 1932, such licenses also must be secured for the importation of apples, pears, and other fruits.

As a special measure of protection to the French export industries the Government decreed on December 3, 1931, that importers must secure a special license for imports from countries maintaining any sort of control over their exchange. It was held that the official control over exchange by various countries was acting disadvantageously to the French export trade and that French exporters were encountering difficulties in collecting payments for merchandise sold to those countries. The purpose of this special license requirement, therefore, was to protect the interests of French exporters in countries where such exchange control may interfere with prompt payment for French exports. A second article in this decree specified that interministerial decisions would designate the countries to which these conditions would apply.

5. *Subsidized wheat storage.*—Another interesting development in agricultural relief in France is the recent attempt to stabilize wheat prices by means of withdrawing a portion of the crop from marketing channels. In the past it has always been the tendency of wheat farmers to throw large quantities of wheat on the market immediately after harvest. This practice, combined with a 1932-33 crop in excess of domestic requirements prompted the Government to provide an inducement for farmers to store substantial amounts of wheat for carry-over into the 1933 crop year. The Government by a decree of October 12, 1932 established a plan for the subsidized storage of 22,000,000 bushels of wheat until the next crop year.

The storage activities were to be handled entirely by the agricultural cooperatives under regulations administered by the ministry of agriculture. By the above-mentioned decree the agricultural cooperatives were authorized to enter contracts with the Government for storing wheat. These contracts contained the names of the members who had agreed to store wheat, the quantities to be stored by each producer, and the place of storage. The decree provided that no individual producer could contract to store more than half of his crop and in any event not more than 500 quintals (1,837 bushels). A thorough system of checking was provided for to make sure that the wheat was actually in storage and that it was kept there until the expiration of the contract. In other words, the wheat thus stored could not be sold before the expiration of the contract.

The Government in turn agreed to pay a so-called "conservation premium" through the cooperatives to compensate producers for holding the wheat off the market. These "conservation premiums" provide for two types of payments as follows: (a) The payment of interest on the capital tied up in the wheat while in storage. The actual rate of interest to be paid was that charged by the Bank of France for loans on Government bonds. (b) The second part of the pre-

mium consisted of a payment equal to 4 percent of the value of the wheat stored. Both premiums were calculated on the following basis: (1) The actual quantities stored under the contract and (2) the average price of wheat during the month of September 1932. The premiums were to be payable to the cooperatives at the expiration of the contract, and the latter in turn were to pay it to the producer members who had stored the carry-over wheat. The cooperatives were authorized to deduct the expenses incurred in the operation of the plan by retaining a portion not to exceed 4 percent of the total amount of the premium paid to them.

6. *Government purchases of domestic wheat.*—Adherence to the above described subsidized storage system was practically nonexistent, as only 100,000 quintals (367,000 bushels) were stored under its provisions. Farmers preferred to sell their wheat during the 1932–33 season at falling prices rather than sell it in the 1933–34 season at unknown prices, despite the conservation premium. For that reason the Government on January 27, 1933, inaugurated a system of so-called “intervention purchases.” The law of that date authorized the Government of France to purchase wheat through the medium of the military supply administration up to a total expenditure of 300,000,000 francs (\$12,000,000). However, the wheat purchased is not to be delivered (at least not immediately) to the Government. On the contrary, it must be kept by the growers until September 30, 1933, or to December 31, 1933, at the discretion of the Government. The grower receives a storage or so-called “conservation” premium of 9.83 francs per quintal (\$0.10 per bushel) for storing the wheat.

This plan might be called a carry-over scheme since the wheat purchased by the Government is to be marketed with the 1933 crop. However, the contract between the Government and the wheat grower regarding the storage feature may be canceled if prices on the open market rise by 5 percent over the Government purchase price stipulated in the contract. In that event the grower is free to sell or to keep his wheat for his own account in anticipation of still higher prices. If such an increase in prices should not occur before September 30, 1933, the Government has the authority to prolong the contract until December 31, 1933.

Perhaps the most significant feature of this new scheme is that the Government obliged itself not to purchase the stored wheat at less than 109 francs per quintal (\$1.16 per bushel). As the wheat growers who entered storage or sales contracts with the Government would thus receive for each quintal stored up to September 30, 1933, around 118.83 francs per quintal (\$1.27 per bushel), the Government expected that this would tend at once to influence wheat prices upward. Unfortunately, however, prices continued to decline even after publication of the decree fixing the minimum prices for Government purchases. One reason for this decline was the attitude of the French milling industry. The industry was convinced that even if the Government purchased 300,000,000 francs (\$12,000,000) worth of wheat at 109 francs per quintal (\$1.16 per bushel), only about 2,800,000 quintals (10,300,000 bushels) would thus be withdrawn from the market up to September 30, or at the latest, December 31, 1933. With a total crop of 100,000,000 quintals (367,000,000 bushels) this would still leave more than enough wheat to cover domestic requirements during the 1932–33 season. If the 1933–34 crop in France and North Africa should again be large, a still further decline in prices would result. Millers are therefore purchasing only enough to cover current needs. Under pressure from the National Wheat Growers Association the Government increased the minimum price for contract purchases from 109 francs to 115 francs per quintal (\$1.16 to \$1.23 per bushel). But since only 300,000,000 francs are available with which to make purchases this increase in the purchase price only still further reduces the quantity that may be withdrawn from the market.

In order to enable the Government to cancel these contracts and thus dispose of its obligation to accept delivery, wheat prices on the Paris market will have to reach 124.83 francs per quintal (\$1.33 per bushel) before September 30 or December 31, 1933. In view of the fact that there is more than enough wheat to cover domestic requirements until the 1933 crop comes on the market, it is hardly expected that prices will reach that level during the 1932–33 season. The result of the intervention purchases by the Government, therefore, will probably be as follows: Around 2,600,000 quintals (9,600,000 bushels) will be withdrawn from the market during the 1932–33 season, for which, on September 30 or December 31, 1933, the Government will have to pay the basic price of 115 francs plus the conservation premium of 9.83 francs; or a total of 124.83

francs (\$1.33 per bushel), unless the 1933-34 crop should turn out to be below present expectations. Such an outcome, of course, would tend to increase prices by inducing millers and the trade to buy for speculative purposes in excess of their requirements. The general opinion in France is that the financial provisions for the purchase of wheat are not large enough to enable the Government to withdraw sufficient wheat from the market to cause an upward swing in prices. There seems to be no question, however, but that prices would show a substantial increase should the 1933 crop prospects become unfavorable.

7. *Flax and hemp subsidies.*—By laws enacted on July 5, 1931, and March 2, 1932, respectively, the French Government subsidizes the domestic flax and hemp industries. Intended to encourage French production and manufacture of flax, the first law provides for an annual credit of 60,000,000 francs (\$2,400,000) for 6 years, to be distributed annually in the form of premiums to manufacturers of flax of local origin. This industry has been in a very unsatisfactory condition since the war, owing largely to competition from Russia, and the law was expected to aid in placing it once more on a more profitable basis. Similarly, the hemp law of March 2, 1932, provides for an annual appropriation for the encouragement of hemp growing.

The flax law of July 5, 1931, provides for the payment of 2 premiums, 1 for production and 1 for export. The production premium for the 12 months ending July 15, 1932, was 3.90 francs per kilo (7 cents a pound) of fiber. The premium, however, was not to be paid if the price of no. 4 first quality, ground-retted Russian flax on the Lille Flax Exchange exceeded 6.60 francs per kilo (12 cents a pound). While the law of July 5, 1931, also provided for the payment of an export premium on unmanufactured flax, the amount of the premium was not fixed until December 24, 1931. On that date a ministerial order placed the export premium at 2.60 francs per kilo (4.6 cents per pound). The export premium will be distributed to the growers by the agricultural associations. In case the grower does not export directly the middleman must make his application for the premium through an agricultural association and prove that he has already paid at least two thirds of the export premium to the grower.

Under the hemp law of March 2, 1932, a fund of 6,000,000 francs (\$240,000) will be appropriated annually for 6 years for the encouragement of hemp growing. This fund will be used for paying production premiums to hemp growers. A central board of control, consisting of officials and representatives of the growers and hemp spinners, will administer the distribution of the premiums. The law also provides for the obligatory utilization of a certain percentage of domestic hemp in manufacturing. The area planted to hemp in France has been declining steadily since the war, due to foreign competition from Italy, Belgium, and British India. The new legislation is designed not only to prevent the abandonment of hemp growing in France, but also to protect the farm workers who find gainful occupation during the winter months in the various labor operations, such as retting, dressing, and stripping, to which hemp must be subjected in the process of harvesting and preparation for the mill.

8. *Sugar price maintenance.*—Another instance of a recent attempt in France to stabilize the price of an agricultural product is afforded in the case of sugar. In this case the Government was not directly involved, but its influence in encouraging the adoption of the plan by the various interested parties was a considerable factor. A record sugar-beet crop in 1930 resulted in an unusually heavy carry-over of refined sugar. In order to maintain prices during 1931 in the face of this surplus, beet producers and sugar manufacturers entered an agreement whereby the factories withdrew 170,000 metric tons of sugar from the market and the growers reduced their 1931 beet acreage by 14 percent. As an additional aid to the domestic sugar-beet industry the French Government on December 8, 1931, issued a decree limiting the importation of sugar from December 5, 1931, to August 31, 1932, to 32,000 metric tons.

9. *Protection of chicory growing by tariffs and mixing regulations.*—In a number of European countries ground chicory root is employed in coffee and thereby replaces varying percentages of pure ground coffee. This usage has made possible an important cultivation of chicory in northern France and Belgium. At the present time French growers of chicory root for grinding purposes are in a difficult position. Owing to their relatively high production cost, it has been impossible for them to compete with Belgian chicory even on the French market. The French tariff rate cannot be increased because of the existing commercial treaty with Belgium. Protection against competition from

that source was provided, however, by a decree of November 10, 1931, which ordered all manufacturers of ground chicory to use not less than 90 percent French chicory in their product.

10. *Government aid to the hop industry.*—Special protection to the domestic hop industry in France was provided for in a law which became effective on October 9, 1931. This law raised the duty on imported hops to prohibitive levels but established a quota which might be imported at a substantially reduced rate of duty. The amount of the quota is supposed to represent the amount of hops which cannot be supplied by domestic producers. While it is maintained that the law was not intended to be discriminatory it appears that Czechoslovakia alone is able to ship hops into France under the lowest rates of duty, since it is the only country in which the hop trade is so organized as to be able to fulfill the conditions for entry into France under the lowest rate. In the other countries that export hops to France, such as Belgium and Germany, as well as the United States, special government administrative measures providing for inspection, grading, etc., would have to be set-up before shippers could share the contingent which may be imported at the reduced rate of duty.

The law of October 9, 1931, increased the import duty on hops from 250 to 800 francs per quintal (\$4.44 to \$14.22 per 100 pounds) general, and from 125 to 400 francs per quintal (\$2.22 to \$7.11 per 100 pounds) minimum. The decree also provided that a certain quantity of hops could be imported at a rate of 200 francs per quintal gross weight (\$3.56 per 100 pounds) on condition that the hops are packed in "sealed containers" on which "trade mark" and "origin" are indicated, and that the shipment is accompanied by a so-called "verification certificate" issued by the government of the country of origin. A supplementary ministerial order, effective October 9, 1931, fixed a contingent of 1,984,000 pounds which could be imported at the reduced rate during the 12 months ended October 9, 1932. On October 8, 1932, an order was issued providing that during the period October 8, 1932, to October 8, 1933, a total of 8,000 quintals (1,760,000 pounds) could be imported under a license at the reduced duty of 200 francs per quintal (\$3.56 per 100 pounds). Importers must obtain an import license in order to import under this special privilege. The quantity which may be imported at the reduced rate is fixed each year in accordance with the quantity and quality of the home crop and the needs of the brewing industry.

11. *Price maintenance for domestic leaf tobacco.*—Not only the importation and sale but also the production of tobacco is rigidly controlled and regulated by the French Government. The Government regularly announces the prices it will pay for domestic leaf tobacco. The announcements list the prices that will be paid for tobacco from each producing area, by variety, quality, and grade. In general, the whole of the crop is purchased by the Government at a price fixed annually and which varies according to variety, length of leaf, and quality.

12. *Sanitary restrictions.*—Restrictions on imports into France in order to protect domestic animal and plant life from injurious diseases and pests must also be mentioned since such regulations inevitably have decided economic effects. Because they impede imports they provide not only sanitary, but also economic protection to producers of similar products in the home country. The indirect protectionism afforded by such measures furnishes domestic producers with a powerful economic motive, additional to that of protection from diseases and pests, for pressing for the exclusion of the foreign product on sanitary grounds. Among the products for which the French Government enforces sanitary restrictions and prohibitions are packing house products, fresh fruit, and fresh vegetables.

In principle fresh, chilled, and frozen meat may be imported into France from any country subject to the production of proper sanitary certificates and acceptance by veterinary officials at the port of entry. In practice, however, importation is now prohibited from the following countries: Greece, Bulgaria, Soviet Russia, Great Britain, and all countries in Africa and Asia (except the French colonies and protectorates and the Union of South Africa). With regard to North and South America, the importation of chilled and frozen pork is prohibited, but beef and mutton may be imported provided the conditions set forth hereunder are observed. The same applies since December, 1932, to the Irish Free State. The above restrictions with regard to origin apply only

to fresh, chilled, or frozen meat and not to meat preserved or prepared in any way, which may be imported from any country, provided the processes used meet with the approval of the French veterinary authorities. This applies to salted or smoked hams, canned meat, bacon, etc.

The sanitary requirements with regard to fresh, chilled, and frozen meat are based on legislation passed in August 1914. These regulations were often disregarded during and after the war, but in 1931 instructions were given for their strict application. The most important restriction is that only entire animals may be imported. If the animals are divided in halves or quarters there must be an equal number of the different parts. There are a few exceptions to this rule, and the following parts and organs of beef may be imported separately: Fillet, sirloin, tongue, kidney, brains, and sweetbread. For mutton the only parts which may be imported separately are kidneys and brains.

There is a special regulation for pork which provides that only entire animals may be imported; that these may be either whole or in halves but that the lungs must be left adhering to the animal or to one of the halves. As stated above, the importation of fresh, chilled, or frozen pork from North and South America is prohibited, but an exception has been made for frozen pork livers, which may be imported freely from the United States and Canada when used for the manufacture of *pate de fois gras*.

In addition to the above requirements, frozen meat must bear a special stamp to identify it as such and is subjected to special control with regard to retail prices and quality. According to a decree of January 17, 1928, all fresh and frozen meat, salted or prepared meat, pork butcher's produce and preserved meat, imported into France must be accompanied by a sanitary certificate delivered by the veterinary authorities in the country of origin. This certificate must identify the goods with no possibility of mistake and must bear an official stamp or seal. It must be in the language of the country of origin on one side and in the French language on the other side. Both sides must be signed. Only one copy is required. The certificate must be presented to the veterinary inspector at the port of entry where every shipment of this nature is examined. A tax of 5 francs per 100 kilos is collected from the importer to cover the cost of this inspection.

During March 1932 certain regulations were adopted in France pertaining to the importation of fresh fruit into that country. Briefly, these prohibit entry of fruit from the United States, Australia, Canada, China, Japan, New Zealand, Rumania, and all other countries where San Jose scale exists, unless it is accompanied by a sanitary certificate, signed by an authorized government inspector in the country of origin, attesting that the fruit is healthy and free from disease and insects likely to be transmitted to French farms or orchards, and especially that the fruit is free from the San Jose scale. All fruits except citrus are also subject to sanitary inspection on arrival in France and infested lots will be either destroyed or reshipped. Fruit imported from countries other than those affected by the decree must be accompanied by a certificate of origin. The transit of fresh fruits through France is prohibited except in bulk. Entry of fruit into France can take place only through the ports of Havre, Bordeaux, Marseilles, and Dunkirk and through the customs office in Paris.

A decree of April 18, 1932, prohibits the importation and also the transshipment of potatoes, tomatoes, eggplants, onions, bulbs, fresh vegetables, all kinds of tubers, and living plants through France coming from Great Britain, Germany and the Netherlands. This law also applies to Spain and Belgium but only in the case of potatoes. By way of exceptions, the import of seed potatoes was permitted under certain conditions.

13. *Subsidization of olive growing.*—A law of April 7, 1932, provides for an annual fund of 15,000,000 francs (around \$600,000 at par) to be spent for the subsidization and the encouragement of olive growing. The subsidy will be distributed in the form of premiums per tree. The law provides that all trees, whether productive or nonproductive, will receive a premium each year, under the condition that they are given proper care. The amount of the basic premium will be fixed each year by special decree of the ministry of agriculture. Twice this basic premium will be paid during 10 consecutive years in the case of trees which are cut close to the ground and of which the regrowth is trimmed in such a way as to assure future productivity. Three times the basic premium will be paid during 15 consecutive years for each newly planted tree providing the proprietor plants immediately at least 25 trees at prescribed planting distances.

GERMANY

German Government intervention on behalf of agriculture includes, in addition to a highly protective tariff, a complicated series of measures designed to protect cereal producers and feeders of livestock as well as a number of measures designed to give relief to such industries as dairying, sugar beets, potatoes, and hops. Moreover, sweeping agrarian relief measures have also been enacted in the form of financial aids to producers, encouragement of cooperatives, tax-relief measures, etc.

The Government program of agrarian relief in Germany centers largely around cereals, although other branches of agriculture have not been neglected and, in fact, have received increased attention in recent years. The German grain policy today is supported by a complicated system of measures, the intricacy of which is due basically to the facts (1) that there is a fundamental conflict of interest involved between German growers of feedstuffs and feeders of livestock and poultry, who must buy their feedstuffs, much of which is imported, and (2) that the domestic production of certain grains fluctuates from a deficit to a surplus basis from year to year. These facts have forced the Government to adopt an elastic system of measures, many details of which have had to be changed from time to time in an effort to adapt the system to changing conditions. These basic facts need to be kept clearly in mind in considering German grain policy, which, in turn, must be interpreted in the light of the German agrarian policy as a whole, discussed in chapter VI. In this section of the report, therefore, attention will be devoted, first, to measures pertaining primarily to producers and users of cereals, and, second, to measures designed to give protection and relief to producers of crops other than cereals.

A. MEASURES DESIGNED TO AID CEREAL PRODUCERS

During the past 3 years a system of grain protection has been evolved in Germany which is highly elastic and can be adapted to the changing conditions of supply and demand. Tariffs have been supplemented by a great number of other measures which are subject to modification with changing supply conditions. In general, the main devices for grain protectionism in Germany are (1) tariff rates, (2) milling regulations, (3) a so-called "grain-exchange plan", (4) combination sales of domestic and foreign grain, (5) special aid to rye producers, (6) baking regulations, and (7) crop-financing measures. By this complicated system of measures it has been attempted to isolate the German grain market from world-market developments.

1. *Tariffs*.—Germany has long been one of the foremost exponents of agricultural protectionism since her transition from a grain-exporting to a grain-importing country during the last quarter of the nineteenth century. No attempt will be made in this section of the report to trace the development of tariffs on cereals from that time up to the present. Suffice it to say that the culmination of the general tendency toward ever-increasing tariff protection for cereals came on April 18, 1930, when the Government was accorded unprecedented and far-reaching authority in changing customs tariffs on cereals in accordance with fluctuations in the price of these products.

The following will serve to indicate the extent to which tariffs are utilized for the protection of domestic grain producers. The basic duty on wheat is \$1.62 a bushel at par, but lower rates are granted under certain conditions (see sec. 2 following); on wheat flour, \$9.14 a barrel; on rye, \$1.21 a bushel; on rye flour, \$9.14 a barrel; on barley, not used for feedstuffs, \$1.04 per bushel; on barley used for feedstuffs, \$0.93 per bushel; and on corn, \$0.15 a bushel, but subject to a monopoly import tax, bringing the total tax up to several times that figure (see sec. 7 following). Duties are also levied on spelt, oats, and buckwheat and the grain sorghums. For many of the cereals, however, the Government from time to time permits importations at lower rates upon the fulfillment of specified conditions. The latter will be discussed in more detail in the paragraphs that follow.

2. *Tariffs and mixing regulations for wheat*.—The policy of bolstering domestic wheat prices in Germany by a combination of tariff and mixing regulations began with the establishment of the "wheat mixing law of July 4, 1929", and the subsequent enactment of the "tariff revision law of April 15, 1930." The wheat mixing law authorized the Government to restrict the imports of wheat to a fixed proportion of the total milling requirements by compelling the use of a specified percentage of domestic wheat in the manu-

facture of bread flour. The tariff revision law further strengthened the wheat-control policy by giving the Government authority to revise the duty on wheat so that the yearly average price for German wheat on the Berlin Produce Exchange would not be less than 260 reichsmarks per metric ton (\$1.69 a bushel). Thus, in brief, the German Government is empowered to maintain a yearly average price for wheat and to tighten or relax the import restrictions from time to time as circumstances require.

Both the tariff and the compulsory mixing regulations have been revised from time to time in accordance with the domestic price and supply situation. Thus, on August 1, 1929, shortly after the original wheat mixing law was enacted, the minimum quantity of domestic wheat to be used in flour mills was fixed at 40 percent. The duty on wheat at that time stood at 65 reichsmarks per metric ton (42 cents a bushel). Declining prices during the 1929-30 and 1930-31 seasons forced several upward revisions in both the duty and the compulsory mixing quotas. By October 26, 1930, the duty on wheat reached its high point of 250 reichsmarks per metric ton (\$1.62 a bushel), where it has since been maintained as the basic rate. When the duty on wheat was fixed at this high level the compulsory mixing quota stood at 80 percent. This was subsequently increased, on August 16, 1931, to 97 percent, where it has since been maintained as the basic quota.

With a duty of \$1.62 a bushel and with a compulsory domestic mixing quota of 97 percent, the use of imported wheat was practically prohibited. The Government, however, immediately took steps to ease this situation, and several important mitigations in both the duty and the mixing regulations were permitted from time to time. The first mitigation was effected through the so-called "wheat-exchange plan" adopted simultaneously with the high mixing quota on August 16, 1931. This plan not only made it possible for mills to use considerably more than the 3 percent of imported wheat permitted under the mixing regulation but also allowed them to bring it in at a materially reduced rate of duty, provided an equivalent amount of domestic wheat was exported. The purpose of the arrangement was to facilitate the exchange of soft domestic wheat, of which Germany produces a surplus, for hard foreign wheat, which she must import for blending purposes. A detailed discussion of the mechanism of the "exchange plan", which has also been adopted for other cereals grown in Germany, will be found in section 3 (the import-certificate system and the exchange plan), below.

Although the majority of the German flour mills do not use any imported wheat, some of the mills located in the seaports have always been accustomed to grind a large percentage of imported wheat. With the compulsory mixing regulation permitting the use of only 3 percent foreign wheat in flour milling, these seaport mills found themselves facing great difficulties. The wheat-exchange plan, however, enables them to continue operations on their accustomed basis, since it permits them to use as much as 30 percent foreign wheat if the same is imported against a corresponding amount of exports. Moreover, this wheat, as already indicated, can be brought in either free or at a materially reduced rate of duty. When the wheat-exchange plan was first adopted on August 16, 1931, the flour mills using imported wheat were organized into a cartel. This was done in order to facilitate the administration of the compulsory mixing law.

Still other mitigations from the basic wheat duty of 250 reichsmarks per metric ton (\$1.62 a bushel) are provided for in the case of durum wheat imported for the production of semolina and in the case of wheat imported for the production of wheat starch. On November 5, 1930, a special tariff rate was established for durum wheat imported for the production of semolina. This special rate was 112.50 reichsmarks per metric ton (\$0.73 per bushel) from November 5, 1930, to August 1, 1932. Since the latter date it has been 160 reichsmarks per ton (\$1.04 per bushel). Moreover, during the crop year 1932-33 the mills are not allowed to use more than 45 percent of the quantity of foreign durum wheat milled in the calendar year 1931. Finally, on January 15, 1931, a special tariff rate of 112.50 reichsmarks per ton (\$0.73 per bushel) on wheat imported for the production of wheat starch was introduced, and the duty has remained at this figure. Thus, it may be seen that wheat could be imported into Germany under various rates of duty, depending upon the conditions specified.

The following tables summarize the changes in basic import duties on wheat since 1913 and the changes in the wheat mixing regulations since their inception in 1929.

Germany: Basic import duties on wheat, 1913-33¹

Date	In reichsmarks per metric ton			In United States currency cents per bushel (60 pounds)		
	General	Reduced general	Conventional	General	Reduced general	Conventional
1913: Jan. 1-Dec. 31.....	75.00		55.00	48.62		35.66
1914:						
Jan. 1-Aug. 3.....	75.00		55.00	48.62		35.66
Aug. 4-Dec. 31.....	(²)					
1915-24.....	(²)					
1925:						
Jan. 1-Aug. 31.....	(²)					
Sept. 1-Dec. 31.....	75.00	35.00		48.62	22.69	
1926:						
Jan. 1-July 31.....	75.00	35.00		48.62	22.69	
Aug. 1-Dec. 31.....	75.00	50.00	65.00	48.62	32.41	42.14
1927: Jan. 1-Dec. 31.....	75.00	50.00	65.00	48.62	32.41	42.14
1928: Jan. 1-Dec. 31.....	75.00	50.00	65.00	48.62	32.41	42.14
1929:						
Jan. 1-July 9.....	75.00	50.00	65.00	48.62	32.41	42.14
July 10-Dec. 31.....	75.00		65.00	48.62		42.14
1930-33:						
Jan. 1-Jan. 19.....	75.00		65.00	48.62		42.14
Jan. 20-Feb. 10.....	95.00		65.00	61.59		42.14
Feb. 11-Mar. 26.....	95.00			61.59		
Mar. 27-Apr. 24.....	120.00			77.79		
Apr. 25-Sept. 27.....	150.00			97.24		
Sept. 28-Oct. 25.....	185.00			119.93		
Oct. 26, 1930, to date.....	250.00			162.07		

¹ The rates given are the basic duties established by law. These rates, as indicated in the text, may have been reduced by special decree from time to time so as to permit imports for specified periods at a lower duty provided certain conditions were fulfilled. Countries having most-favored-nation agreements with Germany (such as the United States) pay either the conventional or the reduced general rates, whichever are lower. When neither conventional nor reduced general rates are given, the general rates apply.

² Free.

Germany: Wheat mixing regulations, August 1, 1929, to date

Mixing period	Minimum domestic required	Maximum foreign permitted
	Percent	Percent
Aug. 1 to Sept. 30, 1929.....	40	60
Oct. 1, 1929, to June 30, 1930.....	50	50
July 1 to 31, 1930.....	30	70
Aug. 1 to 14, 1930.....	40	60
Aug. 15 to Sept. 30, 1930.....	60	40
Oct. 1 to Nov. 30, 1930.....	80	20
Dec. 1, 1930, to Jan. 31, 1931.....	80	20
Feb. 1 to Mar. 31, 1931.....	80	20
Apr. 1 to June 30, 1931.....	50	50
July 1 to 31, 1931.....	50	50
Aug. 1 to 15, 1931.....	60	40
Aug. 16, 1931, to Aug. 15, 1932.....	¹ 97	3
Aug. 16, 1932, to Aug. 15, 1933.....	² 97	3

¹ A decree, effective Aug. 16, 1931, to July 31, 1932, permitted mills using foreign wheat under the "wheat exchange plan" (i.e., wheat imported against certificates showing a corresponding amount of German wheat exports) to grind foreign wheat up to 30 percent of their requirements, of which 27 percent could be imported at a reduced rate of duty (i.e., 13 cents per bushel) and 3 percent at the full rate of duty (i.e., \$1.62 a bushel). With the exhaustion of import certificates the government, on Apr. 29, 1932, issued a second decree, effective May 1, 1932, extending to Aug. 15, 1932, the privilege of using 30 percent foreign wheat and reducing the basic duty to \$1.17 a bushel for specified quantities of imports.

² The basic quota of 97 percent remains in effect, but mills importing wheat under the "exchange plan" will be obliged to use only 70 percent of domestic wheat. The foreign wheat thus imported could be brought in free of duty up to Oct. 31, 1932, and at a low rate of only 0.75 reichsmark, per 100 kilos (5 cents per bushel) for a certain period after that date.

3. *The import certificate system and the exchange plan.*—Coupled closely with the tariff in Germany has been the so-called "import certificate system" (einfuhrscheine) which, however, has now been entirely replaced by the "grain exchange plan" (austauschverfahren). The original import certificate system, which may be perhaps better described as "export debenture" or "export

certificate" system, was applied to a varied and changing list of products, principally cereals, beginning with 1894. The system was abandoned during the periods of export prohibition and duty free entry of grain and flour throughout and following the World War; but it was restored in 1925. In effect, the import certificate system was a drawback which in the course of development became equivalent to an export bounty. Upon exportation of the home product to which it was applied, a certificate or debenture was issued by the Government to the exporter. This debenture was offerable in place of cash for the payment of import duties, the total credit arising from a particular shipment depending upon the amount of the product shipped and the rate of drawback fixed per unit. Upon receiving the certificate the exporter sold it either to an importer or to a dealer in certificates, who resold it to an importer. Since exporters, with the incentive given by the debentures, tended to compete with each other in purchasing a domestic product for export—let us say wheat—the theory was that most of the value of the certificate would be reflected back to the wheat farmer. At the same time, importers of wheat, or other goods for which the certificates may have been offerable in the payment of duties, tended to purchase such certificates so long as they had to pay for them less than the full face value; for by obtaining the certificates at a discount the importer could save in the payment of import duties. While the scheme was modified and revised in the course of development, the essential principle remained the same.

The system of import certificates was originally an outgrowth of the inequalities and difficulties which accompanied the return of Germany to agrarian protectionism in 1879 after a decade and a half of free trade in cereals. The protection, however, which the rapidly increasing tariffs accorded to German agriculture was not uniformly effective. Whereas in the grain-consuming regions of west and south Germany prices rose approximately by the amount of the tariff rates, the prices in the grain-surplus-producing regions of east Germany increased only one third to one half of the tariff rate. This difference in price development in Germany was due to the following circumstances: The east German grain-surplus-producing regions had much more favorable facilities for transportation to the Danish, Swedish, and English markets than to the grain markets of southern and western Germany. In eastern Germany grain prices also rose owing to the tariffs and thus put a stop to the very considerable grain exports from the Baltic ports of Königsberg, Danzig, and Stettin. This grain then sought a market in western and southern Germany, but there it encountered a strong competition with foreign grain, which was brought into the country by a water route through Holland. The east German grain, as far as it was dependent upon rail transportation, was burdened with heavier freight costs than that imported through Holland. Moreover, the grain grown east of the Elbe having less gluten content, which lowered its bread-making value, found only a limited market in western and southern Germany.

Up to the time of the introduction of the tariff, an important grain transportation route passed through eastern Germany. A large proportion of Russia's export grain was shipped through the German Baltic ports. By the mixing of Russian and German grain in the Baltic ports exceptionally marketable goods for export purposes were produced. The German tariff system was built up on an identity system, i.e., that only such goods were free of tariff charges as were to be reexported in a changed or refined form. In order not to hinder the mixing and export business because of the tariff, special transit storage houses were set up in the ports and imports of grain needed for the export mixture were admitted free of tariff charges. The mixing and export business, however, decreased with every increase in the tariff rates, because the increase in the price of the German grain required for the mixture increased the price of the finished product.

The principles of the identity system were destroyed step by step. In 1882 a law was passed providing that the same amount of grain could be imported by the German mills duty free as was exported in the form of flour or other milling products, irrespective of the origin of the imported grain. In the year 1894 agriculture and the grain trade succeeded in forcing the abandonment of the identity certificate. After this, when wheat, rye, barley, oats, legumes, rape, and rapeseed were exported, there were issued import certificates which could be used during a period of 6 months as payment of import tariffs for the same quantity and the same kind of grain as had been previously exported. After the expiration of 4 months and up to the end of the 10 months following the issuance of the import certificate, the same could also be used for the payment

of tariffs on other goods imported. It was required that such goods should be specifically named, the most important of which were coffee and petroleum.

Through the tariff law of 1902, which was not put into force until 1906, the tariff rates and the use of the import certificate underwent considerable alteration. The minimum tariff rates per bushel were then 35.64 cents for wheat, 30.25 cents for rye, 21.16 cents for malt barley, and 7.93 cents for feed barley. Up to that time import certificates could be used only for the importation of the same quantity and kind of grain as had been exported or for the importation of specifically named goods, as mentioned on the certificate. Now, however, it was possible to use the import certificate for other cereals than those exported. This increased the sale value of import certificates, for which there existed a regular market. The difference between the par value and the sale value of the import certificates decreased. On the other hand, a limitation in the use of the import certificate was brought about by confining its use for the importation of other goods to coffee and petroleum and its validity to 6 months. In 1911 the validity of the import certificates was limited to 3 months and the clause allowing for its use for the importation of coffee and petroleum was removed.

As already indicated, the system was abandoned during the periods of export prohibition and duty-free entry of grain and flour throughout and following the World War; but in 1925 it was restored in the form of a modification of the provisions which had been operative before 1914 in the German tariff law of 1902. As restored in 1925, it provided that upon the exportation of rye, wheat, spelt, barley, oats, and pulse in a quantity of at least 500 kilos (1,102 pounds) the exporter was entitled to warrants or import certificates entitling the holder to import duty-free a quantity of one of the foregoing commodities corresponding to the customs value of the certificates. The certificates had to be used within a stipulated period, and their value was based on the lowest rate of duty (general or conventional) applicable to the product in question.

After the restoration of the system in 1925 numerous changes were made in the list of products to which it was applied. Gradually, less emphasis was placed upon the original purpose of the certificates as an equalizer of tariff benefits for the country as a whole, and there was more of a tendency to use them in conjunction with the tariff and other import regulations as a means of altering domestic supplies and regulating domestic prices by manipulating the volume of exports and imports. Originally the system involved replacement of exports induced under it by a corresponding quantity of imports, thus leaving total supplies in the country unchanged. In the course of time, however, the system was largely subordinated to the broad scheme of administrative regulation of imports which had been set up for the purpose of insulating domestic agriculture from the effects of declining world prices. Thus the list of products to which it was applicable was considerably altered; administrative authority to fix higher or lower valuations for the certificates was also granted; and in several instances a special reduction of the tariff rate was made for imports brought in under import certificate. In general the certificate rates were increased by nothing like the amount of the tariff increases; and as the import duties and other import restrictions have been disproportionately tightened, the certificates tended to become a less effective stimulant to exports than formerly. Domestic prices had been held so far above world levels that the certificates did not furnish the same inducement to export as before. No attempt will be made here to trace all the changes in the system since its restoration in 1925. Suffice it to say that the system was expanded steadily until 1930 but was gradually abandoned during the next 2 years and replaced by the so-called "grain-exchange plan." By a decree of March 19, 1932, the last remnants of the import-certificate system were done away with.

The so-called "grain-exchange plan" (*austauschverfahren*), which has now taken the place of the old import-certificate system (*einfuhrscheine*), was first adopted in connection with wheat by a decree of August 16, 1931. As already indicated in section 2 above, the steep increase of the tariff on wheat and the drastic mixing regulations affected unfavorably the large mills situated in the seaports. The latter had long been accustomed to grinding much more imported wheat than would be permissible under the compulsory mixing regulations. The Government, therefore, established the exchange scheme in order to give the large German flour mills at the seaports a chance to supply themselves with the quantities of hard wheat necessary for mixing purposes. The decree provided (1) that for all wheat exported prior to December 31, 1931, certificates would be issued which would entitle the holder to import a cor-

responding quantity of wheat at a reduced duty of only 20 reichsmarks per ton (13 cents a bushel), and (2) that although the basic mixing quota was 97 percent, mills importing wheat under the exchange plan could use as low as 70 percent domestic wheat, provided that of the 30 percent foreign wheat used, 27 percent consisted of imports counterbalanced by the same amount of exports and only 3 percent consisted of wheat not so counterbalanced.

This grain-exchange plan has now become an important mitigating feature in the German scheme of agrarian protection. The plan this season (1932-33) is not only being applied to wheat but to other domestic cereals as well. The certificates issued upon wheat exports made between August 1 and October 31, 1932, entitled the holder to import a corresponding quantity of wheat absolutely free of duty. The certificates issued upon exports between November 1, 1932, and January 31, 1933, and extended again for the period from March 7 to July 31, 1933, entitled the holder to import a corresponding amount of wheat at a reduced duty of 7.50 reichsmarks per metric ton (5 cents per bushel) instead of at the basic duty of 250 reichsmarks per ton (\$1.62 a bushel). In addition, the more liberal mixing regulations for flour mills using foreign wheat was retained.

In regard to its application to rye, the law provided that the certificates issued on exports of rye and rye milling products, shipped between August 1 and October 31, 1932, would entitle the holder to import corresponding quantities of these products free of duty. The certificates issued upon exports between November 1, 1932, and January 31, 1933, and extended again for the period from March 7 to July 31, 1933, entitled the holder to import corresponding amounts of those products at a greatly reduced duty of 5 reichsmarks per metric ton (\$0.03) per bushel. The corresponding reduced duty during the preceding year was 10 reichsmarks per ton (\$0.06 per bushel). The basic duty on rye imports is 200 reichsmarks per ton (\$1.21 per bushel).

In the case of spelt, upon which the basic duty is 250 reichsmarks per metric ton (\$1.08 per bushel), free entry was permitted for quantities corresponding to exports made from August 1 to October 31, while entry at the reduced rate of 75 reichsmarks per ton (\$0.32 per bushel) was permitted for quantities corresponding to exports made from November 1, 1932, to January 31, 1933, and extended again for the period from March 7 to July 31, 1933. In the case of buckwheat, for which the basic duty is 50 reichsmarks per metric ton (\$0.26 per bushel) free imports were permitted for quantities corresponding to exports made from August 1, 1932, to January 31, 1933. Imports of all of the above mentioned cereals at the reduced rates, must be effected before July 31, 1933.

The application of the "exchange plan" to barley and oats was provided for in a decree dated October 17, effective October 26, 1932. That decree permitted the importation of oats and barley free of duty against the exports of corresponding quantities of manufactured products of oats and barley. In regard to barley, the law provided that barley for cattle fodder upon which the basic duty is 180 reichsmarks per metric ton (\$0.93 per bushel) may, under regulations to be laid down by the Minister of Finance, be imported free of duty up to July 31, 1933, up to a quantity equivalent to 20 percent of the amount of barley in the form of malt exported. Barley other than for cattle fodder, upon which the basic duty is 200 reichsmarks per metric ton (\$1.04 per bushel), may, under regulations to be laid down by the Minister of Finance, be imported free of duty up to July 31, 1933, providing that export certificates be produced to show that a corresponding quantity of barley has been exported in the form of peeled grain, grits, groats, and flakes or of flour produced in the preparation of those products. In the case of oats the decree simply provided that oats may, under regulations to be laid down by the Minister of Finance, be imported free of duty up to July 31, 1933, providing that export certificates be produced to show that a corresponding quantity of oats had been exported in the form of milling products (other than raw oats simply crushed, rolled, coarse-ground, or otherwise mechanically reduced). The free importation of oats covered by export certificates on milling products, however, has been abandoned since March 10, 1933, in accordance with a ministerial order of March 2, 1933. But a reduced rate of duty of 8 reichsmarks per 100 kilos (\$0.28 per bushel) has been maintained on imports of oats, when export certificates are presented, showing exportation of a like quantity of either milling products or grain. The general rate of duty on oats is 16 reichsmarks per 100 kilos (\$0.55 per bushel).

In general it is the intention of the Government to use "grain-exchange plan" in such a way as to relieve the German market during the period of heaviest seasonal marketing pressure. The provisions of the law tend to stimu-

late the export of German grain during the principal marketing period—namely, in the months immediately following the harvest. The “grain-exchange plan” on the whole is an important adjunct to the present system of grain protection, as it allows mills to cover their most urgent needs for hard and high-gluten varieties of wheat which are not grown within the country, but only to the extent to which a foreign market is found for German wheat. The quantity of wheat and rye and other grains which can thus be imported at reduced tariffs or duty free depends entirely on the exports of German grain.

4. *Linked sales of domestic and foreign grain.*—Because of the occasional surpluses in some kinds of grain and the consequent ineffectiveness of tariff protection, measures have been taken from time to time to enforce the domestic use of such grain for purposes for which it would not be normally utilized. This has been accomplished frequently through regulation of the natural flow of the products, particularly through combined marketing with some other product. Thus, an important feature of the German grain policy is the procedure known as “combination” or “linked sales” (*Verkoppelungsverfahren*), which are particularly important in feed grain marketing. Under this policy the sale of certain quantities of specified domestic grain is linked up with the sale of foreign grains imported at a reduced tariff. Such combinations of German and imported grain, owing to the reduction in the tariff rates, can be offered to feeders at more attractive prices than those in the open market. Not only is relief thus accorded to the domestic producers of the surplus grain, but likewise to the livestock feeders who suffer from the effects of high tariffs on imported feed-stuffs which they are accustomed to use.

The most striking example of the combination sales, above referred to, is the “eoin-rye action” which was successfully attempted during the 1930–31 crop year and has been repeated since. The *Getreide-Handelsgesellschaft*, the organization which was authorized to undertake these operations (see sec. 5) has been authorized to sell eoinized rye—i.e., rye rendered unfit for human consumption—at low prices in the hog-producing areas of northwest Germany, where feed prices have for some time been considered too high in relation to livestock prices. This eoinized rye was offered at a price of 140 reichsmarks per metric ton (\$0.85 per bushel) f. o. b. station northwest Germany, and at 137 reichsmarks per ton (\$0.83 per bushel) at the seaboard. In compensation for the losses incurred by selling domestic rye at these prices, the *Getreide-Handelsgesellschaft* received import certificates which permitted the importation of feed barley at a reduced tariff of 40 reichsmarks per metric ton (\$0.21 per bushel) instead of at the regular duty of 120 reichsmarks per ton (\$0.62 per bushel). The saving in tariff rates was supposed to cover the losses resulting from the sale of the eoinized rye.

It is thus a measure in aid of the hog industry of northwestern Germany, which, without this special treatment, would have been severely handicapped by the present protection afforded grain growers. At the same time the hog raisers in northwestern Germany are forced to abandon their old practices of relying almost exclusively on imported feed grains, so that new consumption outlets are opened for the rye surpluses of eastern Germany. The details of this policy have been altered considerably with the changing supply situation and growing experience, but the fundamental principles remain the same. By changing the ratios at which the different grains are linked together the system can be made as flexible as desired. It is also possible to link up the sale of different grains in such a way as to reduce seasonal marketing pressure by requiring delivery of the domestic grain in the fall, while the importation of the foreign grain is postponed until later in the year. This system of “combination sales” is not only used for domestic rye, but domestic barley, oats, and potato flakes are also included if the market situation requires such action.

Similar “combination sales” have been adopted in an effort to supply poultry feeders with comparatively cheap feed mixtures and to support the market for domestic grain at the same time. Thus during the current crop year (1932–33) chicken-feed factories can purchase 4,490,000 bushels of corn from the Corn Monopoly (the latter is discussed in sec. 7) at relatively low prices providing they sell a chicken-feed mixture consisting of 1 ton of German wheat and 1½ tons of broken corn. The feed manufacturers also obligate themselves to buy 125,000 tons (4,920,982 bushels) of German rye and store it for a period of 4 months. Further details along this line are discussed under the activities of “The Corn Monopoly” in section 7.

At the beginning of the 1932–33 crop year the *Getreide-Handelsgesellschaft* still had on its hands some quantities of Russian rye which it had purchased

during 1931-32. In order to dispose of these carry-over stocks without unduly depressing prices a decree was issued on July 18, 1932, authorizing the Getreide-Handelsgesellschaft to sell these stocks in conjunction with domestic rye and barley, in the proportion of 50 percent Russian rye and 25 percent each of domestic barley and domestic rye at the low price of 160 reichsmarks per metric ton (\$34.57 per short ton) f.o.b. destination. Certain restrictions were also made as to quantities that could be purchased in order to insure that the advantage of this low price would actually accrue to the farmers needing the grain and not to speculators.

The theory behind this decree was twofold: First, to enable the Government to dispose of its holdings of Russian rye; and, second, to encourage the feeding of a larger proportion of home-grown rye and barley and thus make it impossible for competitive feedstuffs to find a market in Germany as long as the low prices for the rye-barley combination continued in effect. It was believed that this law would afford some relief to the rye market, which was being weakened steadily under the prospects of the large crop. The grains were not actually mixed, but were merely sold in combination at the attractive price mentioned. Delivery of the Russian rye included in the combination, in fact, was postponed until later in the season in order to facilitate the marketing of the domestic rye crop.

5. *Government control of the grain trade.*—Government intervention of a price supporting character in the grain market has been frequently resorted to in recent years. The Getreide-Handelsgesellschaft, the grain-trading corporation, has been the organization authorized to handle practically all operations of this type as well as the combination sales discussed in the preceding section. This agency was organized on March 27, 1926, with authority to purchase rye for the purpose of stabilizing prices. The new agency was merely a substitute for the Reichsgetreidestelle, the war-time Federal Grain Office, which was being liquidated at that time. Though nominally a private organization, it has since its inception been the agency through which the Government actively intervenes in the grain market whenever such intervention seems called for. In such instances funds are advanced by the Government in order to enable the agency to purchase and warehouse domestic grain. Although originally organized primarily to stabilize the domestic rye market, the organization has not confined its stabilization activities to rye. Stabilization purchases were also made occasionally in other products, particularly in wheat, brewing barley, potato flakes, etc. Most of the stabilization activities of the company, however, have been in favor of rye.

During the season 1932-33 Germany had an unusually large rye crop. The Government therefore has been particularly active in its support of the rye market. Among the first of the important measures designed to facilitate the absorption of rye was the termination on July 31, 1932, of the compulsory high extraction ratio for rye introduced for the purpose of economizing the small supply of domestic rye during the preceding 1931-32 season. A law enacted on February 27, 1932, had required all mills making rye flour to obtain at least 70 percent of rye flour out of a given quantity of rye. It therefore forced millers to obtain a larger amount of flour than they would ordinarily mill from a given amount of rye, thus tending to stretch the small supplies of domestic rye as far as possible. A decree of July 14, 1932, terminated this requirement as of July 31, 1932. The removal of this compulsory extraction ratio meant that in the future, out of a given amount of rye, millers would produce from 55 to 60 percent of rye flour instead of 70 percent. This is significant, not only because it would result in a better grade of rye flour but also because it would materially facilitate the marketing of the heavy rye crop in Germany. The larger amount of rye available during the 1932-33 year was responsible for this decree.

Various other devices are being resorted to with a view to stabilizing the price of rye in the domestic market and facilitating the absorption of the large domestic crop. Among them should be mentioned (1) the authority granted the Government grain-price stabilization agency, and mentioned above, to dispose of its carry-over stocks of Russian rye in conjunction with the sale of domestic rye and barley at relatively low prices; (2) the sale of eosinized rye at low prices by the price stabilization agency in the hog-producing regions of northwestern Germany; and (3) stimulating exports of rye by the issuance of import certificates. A more detailed discussion of the first two of these measures is given in section 4 under "Combination sales of domestic and foreign grain",

while the last is discussed in section 3 under "Import certificates and the exchange plan."

6. *Baking regulations.*—During the summer of 1930 an effort was made to enforce the use of certain flour mixtures for baking bread and other products. A law of July 9, 1930, known as "The bread law", provided that, effective August 15, 1930, all rye bread sold in Germany would have to contain not less than 97 percent rye flour. This rye flour, moreover, had to be flour of a milling extraction of 60 percent. The law also provided for a so-called "mixed bread", which had to contain at least 80 percent rye flour (of the extraction above specified) and not more than 17 percent wheat flour. The aim of these measures was to cause the use of more rye and reduce the depressing rye surplus as quickly as possible. With a view to increasing further the consumption of rye, a decree was issued on December 1, 1930, providing for the compulsory mixing of 30 percent rye flour with wheat flour for all bread weighing more than 200 grams or 0.44 pound to the loaf. When the rye surplus began to disappear in the second half of the crop year 1930–31, most of the bread laws were abandoned. During the crop year 1931–32, as mentioned above, a minimum rye milling extraction ratio of 70 percent was fixed, in order to make the domestic supplies last as long as possible. As a consequence of the large domestic rye crop during the season (1932–33) this minimum milling extraction was abolished. Regulations have also been adopted requiring the admixture of a certain amount of potato flour with wheat and rye flour in bakery products.

7. *The Corn Monopoly.*—This monopoly was originally established on March 26, 1930, to limit the competition of imported corn with domestic feed grains. It was primarily intended to benefit German producers of rye, oats, and barley, with which imported corn competes as a feeding stuff. The production of corn in Germany is almost negligible. Considerable quantities, however, are normally imported from the Danube countries, Argentina, and the United States. This corn competes directly with German rye, oats, and barley in the German feed-stuffs market. The importation of corn could not be checked by the low tariff rate of 25 reichsmarks per ton (\$0.15 per bushel) fixed in the commercial treaty with Yugoslavia. As this treaty prevented Germany from raising the tariff on corn, the principle of an import monopoly was adopted as an alternative.

The Corn Monopoly has very wide powers. According to the provisions of the law, it has the exclusive right to import and sell corn. It can prohibit importation by private importers, fix internal prices, and regulate the distribution of corn among internal purchasers. In practice, however, it has not directly exercised all of these functions. It actually functions by requiring the importers to offer to it all corn purchased for importation, which, in theory at least, it buys at the average daily c.i.f. Hamburg price plus the duty and immediately resells to the same importer at a higher fixed price. The difference between the monopoly purchase price and the monopoly resale price represents a tax which the importer pays to the monopoly. This differential varies from day to day in accordance with the world price of corn and the level at which the Government desires to maintain the internal price.

In addition to circumventing the low treaty-bound rate on corn, the administration of the monopoly included also preferential treatment of Danubian corn. The procedure may be illustrated by the following example: A monopoly price is fixed from time to time for Danubian and American corn. As of October 14, 1932, this resale price stood at 180 reichsmarks per metric ton (\$1.09 per bushel) for Danubian corn and at 195 reichsmarks per ton (\$1.18 per bushel) for American corn. The monopoly purchase price as of that date was 84.5 reichsmarks per ton (\$0.51 per bushel) for Danubian corn and 90.45 reichsmarks per ton (\$0.55 per bushel) for American corn. Thus the resale price for American corn was fixed at 9 cents a bushel above Danubian, whereas the purchase price of American was only 4 cents above Danubian corn. It will be observed, therefore, that preference to the extent of 5 cents a bushel was accorded to Danubian corn.

A decree of July 5, 1932, effective July 8, broadened the activities of the Corn Monopoly so as to include dari, kafir corn, milo corn, and kaoliang. These grain sorghums were formerly of little importance in the German import trade, because livestock feeders in general preferred corn at normal market prices. During the crop year 1931–32, however, these products were imported in increasing quantities, as a substitute for corn. The import duty was the same as for corn, namely, 25 reichsmarks per metric ton (\$0.27 per 100 pounds), and since there were no other import restrictions, the various grain sorghums could

be imported and sold at relatively low prices compared with corn the price of which was maintained at a high level by the monopoly. These grains, therefore, became important competitors for the German feedstuffs. Inclusion of the grain sorghums in the activities of the Corn Monopoly was expected to eliminate this gap in the protective system.

No fixed resale prices have been established for the grain sorghums. The monopoly, however, has been imposing upon the imports of these products the same tax that is imposed on the imports of corn, which, as already indicated, varies with the world price level of corn. In other words, the import price (c.i.f. Hamburg) of the grain sorghums plus the duty of 25 reichsmarks per ton (\$0.27 per 100 pounds) is considered as the monopoly purchase price. The monopoly resale price is to be the same as the resale price for corn. The difference between the two prices constitutes the tax payable to the monopoly by the importers. The cost of the grain sorghums plus the tariff and the tax under this plan is expected to be so high that there will be no possibility of their competing with corn at the prices fixed for the latter.

The Corn Monopoly also engages in other activities. For example, in order to offset the increased feeding-stuff prices caused by its policy, the monopoly in 1930 established a system of supplying corn at cheap prices to poultry producers. For every 100 eggs supplied to the egg-packing stations operating under the German national mark scheme, the producer was given a certificate enabling him to secure 15 kilos (33 pounds) of cheap corn, and similar privileges were given to the state-recognized poultry stations and to cooperative geese-fattening stations.

Under an order dated August 10, 1932, issued for the purpose of aiding poultry raisers, corn is sold by the monopoly to all owners of 750 laying hens, and to all poultrymen under contract to marketing organizations which stamp the eggs, at the rate of 20 kilos (44 pounds) for each hundred eggs produced. The price of such sales of corn is to be calculated at the world-market price of corn plus the German import duty of 25 reichsmarks per metric ton, plus a special tax of 5 reichsmarks per metric ton (\$0.03 per bushel) for the corn monopoly. The net result is a price to the German poultry raiser about 50 percent lower than hitherto quoted.

On August 12, 1932, another regulation authorized the German Corn Monopoly to dispose of 113,000 tons (4,450,000 bushels) of corn at a reduced price to manufacturers of mixed poultry feed. The poultry-feed manufacturers were to obtain the corn from the monopoly at a reduced price, which would have enabled them to quote an attractive price for the feed mixture. The price for this corn was to be the monopoly purchase price plus 2 reichsmarks per ton (\$0.01 per bushel). In return the poultry-feed manufacturers were obliged to sell a mixture consisting of 1 ton of German wheat and 1½ tons of broken corn. The feed manufacturers also obligated themselves to buy 125,000 tons (4,921,000 bushels) of German rye and store it for a period of 4 months.

8. *Crop-financing measures.*—In addition to the above measures designed to regulate foreign competition and to stabilize or to maintain prices for German cereals above the world-market level, the German Government has also been active in efforts to regulate the flow of goods to market by offering improved financial facilities to cooperative associations; by reducing storage costs through subsidies; by increasing the storage of crops above normal holdings through agreements with organized groups in the trade; by easing the interest burden on farm mortgages; and by a series of other measures designed to ease the financial burdens of farmers in general.

B. AGRICULTURAL RELIEF MEASURES IN OTHER FIELDS

While Government aid to cereal producers and related interests, such as livestock and poultry feeders, has been an outstanding feature of the German agrarian program during the past 2 or 3 years, it has by no means been confined to the groups specified. Important measures of protection and other forms of Government aid have also been initiated or carried through for branches of agriculture other than grain farming. The tendency, in fact, has been to increase protection to the non-cereal branches of German agriculture, and several commercial treaties which placed obstacles to the increase of tariffs were denounced.

1. *Tariffs.*—Tariffs have also been imposed by the German Government since 1923 on a long list of farm products other than the cereals discussed in A-1 above, and, in fact, the trend in all tariffs in Germany, especially since the beginning of the world depression, has been steadily upward. As far as legislation is concerned, the culmination of the whole movement for tariff protection came on March 28, 1931, when the Government was authorized to revise the customs duties on all agricultural products in accordance with fluctuations in the prices of those products. Specific reference has already been made in section A-1 above to the application of this principle of rate making to cereals by the law of April 18, 1930. Moreover, a law of January 19, 1932, authorized the Government to set up a special list of duties against countries with depreciated currencies, as well as those discriminating against German goods. A German presidential decree effective on that date authorized the Government to establish compensatory duties to be levied on imports from countries with currencies below gold parity. The decree of January 19, 1932, also authorized the Government to set up so-called "supertariffs" against imports from countries having no commercial treaties with Germany.

Concerning some of the outstanding phases of the development of the German tariff system up to the present time more is said in chapter VI. Suffice it to say that at the present time the German duties on representative agricultural products stand at an unprecedentedly high level. Specific reference to the duties on grain and grain products has already been made in section A-1. The tabulation given below shows the changes in tariffs on a number of agricultural products during the past few years. Duties are also imposed on a long list of other agricultural products, and in many instances they have been supplemented by more direct forms of trade control. These will be discussed briefly in the following sections:

Germany: Import duties on specified agricultural products

[The latest rate shown is the one in effect as of May 1933]

Year and effective date	Rates in foreign currency per 100 kilos	In United States currency (at par) per 100 pounds	Year and effective date	Rates in foreign currency per 100 kilos	In United States currency (at par) per 100 pounds
Meat (including hams and shoulders, but not bacon):				<i>Reichs-</i>	<i>Dollars</i>
Fresh, even chilled:	<i>marks</i>		Bacon:		
1906-14.....	27.00	2.91	1906-14.....	36.00	3.89
1925 (Sept. 1).....	21.00	2.27	1925 (Sept. 1).....	14.00	1.51
1927 (Aug. 1).....	32.00	3.46	1932 (July 5).....	20.00	2.16
1930 (July 1).....	45.00	4.86	1933 (Feb. 15).....	36.00	3.89
1931 (May 10).....	55.00	5.94	Lard:		
1933 (Feb. 15).....	100.00	10.80	1906-14.....	10.00	1.08
Frozen:			1925 (Sept. 1).....	6.00	.65
1906-14.....	35.00	3.78	1932 (July 5).....	10.00	1.08
1925 (Sept. 1).....	¹ 45.00	¹ 4.86	1933 (Feb. 15).....	50.00	5.40
1931 (May 10).....	55.00	5.94	1933 (May 16).....	75.00	8.10
1933 (Feb. 15).....	100.00	10.80	Butter:		
Simply prepared:			1906-14.....	20.00	2.16
1906-14.....	35.00	3.78	1926 (Oct. 1).....	27.50	2.97
1925 (Oct. 1).....	60.00	6.48	1930 (Nov. 27).....	50.00	5.40
1931 (May 10).....	80.00	8.64	1932 (Jan. 23):		
1933 (Feb. 15).....	150.00	16.22	Contingent of 5,000 metric tons (11,023,000 pounds) per year.....	50.00	5.40
Prepared for fine table use:			In excess of 5,000 metric tons per year...	100.00	10.80
1906-14.....	35.00	3.78	1932 (Nov. 15).....	² 75.00	² 8.10
1925 (Oct. 1).....	120.00	12.96			
1931 (May 10).....	150.00	16.22			
1933 (Feb. 15).....	280.00	30.25			

Compiled from information furnished by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce, and other sources.

¹ Under license certain quotas of frozen meat were admitted free of duty up to July 1, 1930.

² On a contingent of 121,000,000 pounds distributed among different countries on the basis of average imports for the years 1929-31 received from each country.

Germany: Import duties on specified agricultural products—Continued

[The latest rate shown is the one in effect as of May 1933]

Year and effective date	Rates in foreign currency per 100 kilos	In United States currency (at par) per 100 pounds	Year and effective date	Rates in foreign currency per 100 kilos	In United States currency (at par) per 100 pounds
Cheese:	<i>Reichsmarks</i>	<i>Dollars</i>	Apples, fresh—Continued		
1906-14.....	20.00	2.16	Packed:		
1925 (Oct. 1).....	30.00	3.24	In sacks weighing at least 50 kilos (110 pounds) gross weight:		
1933 (Mar. 11).....	³ 60.00	³ 6.48	Sept. 25 to Dec. 31:	<i>Reichsmarks</i>	<i>Dollars</i>
Leaf tobacco:			1906-14.....	⁴ Free.	⁴ Free
1906-14.....	85.00	9.18	1927.....	2.50	.27
1925 (Aug. 16).....	80.00	8.84	Jan. 1 to Sept. 24:		
1931 (Jan. 1).....	180.00	19.43	1906-14.....	⁵ 2.00	⁵ .22
Apples, fresh:			1927.....	7.00	.76
Unpacked:			In other packing (boxes, barrels, etc.):		
Sept. 25 to Dec. 31:			1906-14.....	⁶ 3.20-5.00	⁶ 0.34-0.54
1906-14.....	⁴ Free.	⁴ Free	1927.....	7.00	.76
1927.....	2.00	.22			
Jan. 1 to Sept. 24:					
1906-14.....	⁵ 2.00	⁵ .22			
1927.....	4.50	.49			

Compiled from information furnished by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce, and other sources.

³ Minister of Finance is authorized to admit 3,000 metric tons at the previous rate.

⁴ Sept. 1 to Nov. 30.

⁵ Dec. 1 to Aug. 31.

⁶ The lower rate is for apples packed in a single covering; the higher for those packed in more than one covering.

2. *Import quotas.*—In line with many of the other countries of Europe, Germany has applied the quota scheme for regulating imports of foreign goods. Of the application of this principle to wheat reference has already been made in section A-2 on "Tariffs and mixing regulations." For some time serious consideration has been given to the expansion of this method of import control so as to include fresh vegetables, fresh and dried fruits, live cattle, lard, bacon, milk, and cheese. Its most important application, however, has been in the case of butter.

The application of the quota principle to butter dates back to the signing of the trade agreement between Germany and Finland on August 29, 1930. In that agreement Germany granted Finland the right to ship 5,000 metric tons of butter (11,023,000 pounds) into the German market at a duty of 50 reichsmarks per 100 kilos (\$5.40 per 100 pounds), up to December 31, 1933, and thereafter at a duty of only 40 reichsmarks per 100 kilos (\$4.32 per 100 pounds). The general rate of duty and the duty on shipments in excess of 5,000 tons was subsequently fixed at 100 reichsmarks per 100 kilos (\$10.80 per 100 pounds). All other countries having most-favored-nation treaties with Germany were, of course, entitled to ship the same quantity of butter into Germany at the lower rate. The other important butter-exporting countries included in the most-favored-nation group were Denmark, Netherlands, Sweden, Norway, Latvia, Lithuania, Estonia, and Argentina.

The lower duty granted to the most-favored-nation countries on a contingent of 11,000,000 pounds, together with the fact that a number of them subsequently abandoned the gold standard, resulted in the shipment of large quantities of butter to the German market. On January 23, 1932, therefore, the German Government authorized a revision in the butter duties. This law divided the exporting countries into three categories: (1) Most-favored-nation countries still on the gold standard; (2) most-favored-nation countries no longer on the gold standard; and (3) all other countries. Five separate rates of duty were provided for. For most-favored-nation countries still on the gold standard, notably the Netherlands, the duty was left at 50 reichsmarks per 100 kilos (\$5.40 per 100 pounds) on quota butter, while imports in excess of the quota from such countries were made dutiable at 100 reichsmarks per 100 kilos (\$10.80 per 100 pounds). For most-favored-nation countries no longer

on the gold standard, notably Denmark, Finland, Sweden, Norway, and Argentina, the duty was increased to 86 reichsmarks per 100 kilos (\$9.29 per 100 pounds) for quota butter and to 136 reichsmarks per 100 kilos (\$14.69 per 100 pounds) for nonquota butter. Finally, butter from countries that had not concluded commercial agreements with Germany was made dutiable at a uniform rate of 170 reichsmarks per 100 kilos (\$18.37 per 100 pounds).

The quota scheme and the 5-rate schedule for butter imports proved to be very unsatisfactory. Since the former did not differentiate between countries that were important and unimportant sources of butter, all of the most-favored-nation countries sharing equally in the right to ship 5,000 tons of butter into Germany at reduced rates of duty, it proved to be discriminatory against the countries that formerly supplied the bulk of the German butter imports and led to protests on their part. Netherlands and Denmark were particularly unfavorably affected. The Government, therefore, decided to abandon both the 5,000-ton quota allotted to the most-favored-nation countries and the complicated schedule of butter duties, and to set up instead a new system of control.

The new method of control subsequently adopted provided for a total quota, which for the year 1933 was fixed at 121,000,000 pounds. This quota cannot be exceeded. It is smaller than the total imports during any of the years since 1925, and brings German butter importation back to the pre-war basis. The new contingents (that is, shares of the different countries in the total quota) instead of being, as formerly, flat uniform quantities, are arranged on the basis of the percentage of the average annual imports of butter supplied to Germany by each country during the period 1929-31. A uniform duty of 75 reichsmarks per 100 kilos (\$8.10 per 100 pounds) was established. This is a reduction of the previous duty (\$9.29 per 100 pounds) on quota butter shipped by the countries which had abandoned the gold standard, but represents an increase of the duty on the quota butter from gold-standard countries, which was formerly \$5.40 per 100 pounds. The surtax on butter imported from countries with depreciated currencies was abolished. (For further reference to butter, see sections 3-d and 7-a.)

The cases of hard cheese and hops present other examples of the use of the quota system. A Government decree, effective on March 11, 1933, increased the duty on hard cheese from 30 to 60 reichsmarks per 100 kilos (\$3.24 to \$6.48 per 100 pounds); however, the Minister of Finance is authorized to admit a quantity of 3,000 metric tons (6,613,800 pounds) at the previous rate. In the case of hops the admission of a limited contingent at a reduced rate of duty was provided for by an agreement with Czechoslovakia. (For further details, see subsection 5, aid to hop growers.)

3. *Mixing regulations.*—Just as in the case of wheat, discussed in A-2 (tariff and mixing regulations), there have been numerous other instances in which the German Government has sought to stimulate artificially consumption of domestic products in recent years by requiring the admixture, use, or purchase of domestic products. In this section reference will only be made to the more important of such attempts in effect at the present time. Further reference to the same principle is made in A-4 (Combination sales of domestic and foreign grain), in A-6 (Baking Regulations), and again in A-7 (The Corn Monopoly).

(a) *Hops.*—The German brewers, who were using imported hops, were directed by a decree effective September 1, 1931, to use smaller percentages in beer brewed for domestic consumption. Breweries that used foreign hops during the 3-year period October 1, 1928, to September 30, 1930, were obliged to use domestic hops to the extent of 70 percent of the average annual quantity of foreign hops used during the period indicated—this in addition to the quantity of German hops used during the same period. In any event, a minimum of 75 percent of German hops must be used by such breweries. Establishments brewing for exports were exempted from the order. Moreover, by a decree of December 8, 1931, Czechoslovakia was extended special reduced duties for the quantity of hops permitted entry under the mixing regulations. Those brewers, however, who did not use imported hops in 1930 could not subsequently begin using them.

(b) *Alcohol.*—The alcohol distilling industry in Germany has been controlled since 1919 by a Government monopoly, which takes the entire output of the distilleries at a fixed price and assigns production quotas to the distilleries. Moreover, the German Government under the alcohol monopoly law has the authority to regulate quantities of alcohol that may be made from specified raw materials, such as potatoes, grain, and other products, and thus

affect their use by the industry. This power has been used to influence the market for farm products, notably for potatoes.

Before the war approximately 80 percent of the alcohol made in Germany was distilled from potatoes, 15 percent from grain, 4 percent from molasses, and 1 percent from other materials. Potatoes, therefore, formed the new-material basis for the German alcohol industry at that time. During the war the Government placed restrictions on the use of potatoes for the manufacture of alcohol. As a result alcohol production from corn and other cereals and the production of synthetic alcohol increased materially. This tendency continued for 2 or 3 years after the war, until in the distilling year ending September 30, 1921, over 11,000,000 bushels of imported corn were absorbed by the alcohol industry. In 1922, however Germany had a bumper potato crop, and farmers complained of lack of markets. Since 1922, therefore, the Government has not only limited the production of synthetic alcohol because of its competition with the agricultural products but it has also taken special pains to increase the use of potatoes in the distilleries. Thus in 1923 the Government decreed that 60 percent of the total output of alcohol from agricultural sources had to be distilled from potatoes instead of only 20 percent, as in the preceding year.

In addition to regulating in the interest of agriculture the consumption of raw material utilized for the distilling of alcohol, the Government has also undertaken artificial stimulation of the consumption of manufactured alcohol by compelling the producers and importers of motor fuel to purchase a fixed quota of alcohol. In this manner it was hoped to absorb the increased production of alcohol and thus indirectly to support a highly important outlet for the German potato industry. On the basis of article 2 of the supplementary tariff law of April 15, 1930, the German Government issued a decree effective August 1 compelling importers as well as domestic producers of gasoline to purchase from the Government alcohol monopoly a quantity of alcohol equivalent to 2½ percent in weight of all gasoline imported or locally produced. The percentage of compulsory alcohol takings, which was made dependent by a decree of September 19, 1931, upon fluctuations in the price of alcohol, has been gradually increased. The required proportion at present (May 1933) is 10 percent. It must be pointed out that no compulsory mixing of alcohol with motor fuels is actually required. The alcohol purchased from the monopoly, however, cannot be resold to a third party, except under special authorization by the alcohol monopoly administration.

(c) *Cheese*.—By a decree of February 23, 1933, the minister of agriculture was authorized to fix a certain percentage of domestic cheese to be used in the manufacture of "melted" cheese (*schmalzkäse*).

(d) *Butter*.—Compulsory mixing of a certain percentage of butter in the manufacture of margarine was authorized, but has not been enforced. For further details see B-7, price-supporting measures for butter and lard.

4. *Self-control and state aid to the sugar industry*.—The Government policy towards the sugar-beet and sugar-refining industry in Germany represents a combination of self-control and state aid. Soon after the war Germany returned to a sugar-exporting basis, and in 1926, the German sugar factories united in the *Ausfuhrvereinigung der deutschen Rübenzuckerfabriken G.m.b.H.*, for the purpose of facilitating the exportation of German sugar. Under the arrangement effected at that time each factory was left a free hand in regard to amount of production but was obliged to place a certain quantity at the disposal of the *Ausfuhrvereinigung* for export. Those which did not have enough left to fill the export quota had to buy in their deficit, through the acquisition of so-called "export papers", by which the fulfillment of the export obligation was attested to the *Ausfuhrvereinigung*. The losses of the *Ausfuhrvereinigung*, which sold the sugar in the export market at world market prices, were borne by the factories in proportion to their export quotas.

In order to compensate for declining world prices the duty on sugar was increased on December 14, 1928. The new duty was to remain in effect until December 31, 1931, but it was later extended to December 31, 1932. In order to prevent an excessive advance in prices to domestic consumers as a consequence of the new tariff measure, a maximum sugar price of 42 reichsmarks per 100 kilos (\$4.54 per 100 pounds) was fixed by the Government. It was provided that if prices rose above that limit, the tariff would be reduced. Subsequently, slight changes were made in the maximum fixed price.

In September 1929 the sugar industry voluntarily set up an organization known as the "*Vereinigung für Verbrauchszuckerverteilung*", with authority to

regulate domestic offerings. It fixed the total quantity of sugar which the factories could place on the market during the course of the year. As a result of this policy prices soon began to approach the fixed maximum above mentioned. This not only brought on an expansion in beet production but it also checked sugar consumption and a very difficult situation developed. A record beet crop harvested in 1930 exceeded domestic consumption by 50 percent. At that time the sugar industry permitted only 18 percent of the production to be exported, the surplus being carried over into 1931-32.

The Government, in an emergency decree of December 1, 1930, had been authorized to unite the sugar industry into a syndicate, the "Economic Association of the German Sugar Industry" (Wirtschaftliche Vereinigung der Deutschen Zuckerindustrie), for purposes of regulating sugar beet marketing and manufacturing. When a voluntary agreement among the sugar factories proved impossible because of the opposition of some of the factories, the Government issued a decree on March 27, 1931, establishing the above-mentioned cartel. In general the purposes of the association may be set forth as follows: (1) To stabilize the sugar industry and attempt to equalize production with a stable domestic demand; (2) to regulate the sale of refined sugar on the domestic market through basic quotas and to fix the prices of refined sugar sold on the domestic market; (3) to control exports by allotting export quotas to all beet sugar and molasses plants in Germany; (4) to assist in regulating sugar offerings on the world market through agreements with other sugar-producing countries; (5) to assist in increasing the demand for sugar and sugar by-products as a feeding stuff; (6) to maintain a uniform financing plan for reserve stocks of sugar by taking over the control of mortgaged sugar stocks.

The association, while nominally a voluntary organization possessing certain definite administrative powers, is still subject to the supervision of the German Minister of Food Distribution. Under the new arrangement the production of sugar by each factory is rigorously controlled by means of quotas allotted to each factory. The association first fixes the total quantity of sugar to be sold in Germany during the year and then makes allotments to the individual factories on the basis of or "contingent upon" their production for domestic sale in the preceding year. These quotas are transferable, so that factories which fail to produce up to their total allotments may turn the balance over to other factories. The association alone is authorized to contract with foreign countries for exports of sugar and to allot the export orders among the associated manufacturers. Moreover, the association may designate for compulsory export any sugar that is over and above the domestic requirements in any fiscal year. The operation of the Economic Association began on September 1, 1931, and it is to continue until September 1, 1935. It may also enter into agreements with foreign sugar producers for the purpose of assisting in regulating the world sugar markets. In that connection, the association can prohibit or decrease exports of sugar in accordance with the terms of international agreements. This power is being exercised in connection with Germany's participation in the Chadbourne Sugar Plan (see Cuba; also ch. XIV, main text). The operation of the association began on September 1, 1931, and is to continue until September 1, 1935.

Although the contingent measures above referred to have prevented a further accumulation of stocks and even brought about some decline, despite decreasing consumption, they have been severely criticized. In the early stages of the German sugar policy the high-price policy of the factories prevented an increase in consumption and, at the same time, promoted a further expansion of beet growing, which resulted in a burdensome oversupply. The subsequent contingent measures proved beneficial in that they brought about an improvement in the market through restriction of the output, but they also prevented an increase in consumption because of the continuation of the high-price policy. The contingent measures are also criticized on the ground that they prevent a further shift of beet growing from large-sized farms to small farms, where beet production has great advantages from a farm-management standpoint. It is also maintained that the contingent system tends to prevent a restriction of beet growing where costs of production, as such, would normally lead to restriction.

5. *Aid to hop growers.*—The restriction of the use of foreign hops by requiring the compulsory use of certain percentages of domestic hops by German breweries was discussed in section B 3.

Increased tariff protection has also been accorded to the German hop growers. On April 15, 1930, the autonomous duty on hops was increased to RM 150 per

100 kgs. (\$16.21 per 100 pounds). But since the duty was bound at RM 60 per 100 kgs. (\$6.48 per 100 pounds) for most-favored-nation countries in the commercial treaties with France and Belgium, the increase did not go into effect until the German Government succeeded in abolishing these ties through amicable arrangements with the two countries concerned (May 1, 1931, with France and October 3, 1931, with Belgium). The autonomous rate of 150 reichsmarks became effective beginning October 12, 1931. As a result of negotiations demanded by Czechoslovakia, a supplementary agreement to the Czecho-German Trade Treaty was made on November 11, 1931 (German Government order of December 8, 1931) stipulating that a limited contingent of Czechoslovak hops would pay only 70 reichsmarks per 100 kilos (\$7.56 per 100 pounds) upon special permits. The contingent for which this special duty is valid is 20,000 metric quintals (4,400,000 pounds). This agreement was concluded for 1 year and has been extended until August 31, 1933.

Price-supporting operations in hops with the aid of government credit have been resorted to within the last few years. For this purpose the German Hop Trading Co. was founded at Nuremberg on September 30, 1930, with the support of the Bavarian state government and of the Reich government. State and Reich resources were supplied as credits to the company for the purpose of market support through purchase and storing of hops.

By a decree of February 13, 1933, the Reich Minister of Agriculture was given far-reaching authority to control the German hop acreage. The Minister of Agriculture is authorized (1) to determine the existing hop acreage and to demand full information from all concerned; (2) to fix annually the maximum hop acreage to be cultivated in the coming year; (3) to authorize provincial authorities to distribute the hop acreage in their territories; (4) to require permission to plant new land to hops; (5) to require hop growers to give information of permanent or temporary discontinuance of hop growing; (6) to issue necessary supplementary regulations; (7) to fix penalties for violation of the above decree. The law provides no indemnification for loss resulting from limitations set on the hop acreage.

6. *Aid to tobacco growers.*—The domestic tobacco industry is accorded tariff protection as well as preferences in excise taxes on certain classes of tobacco products containing a specified proportion of domestic leaf. A governmental decree was issued on December 1, 1930, which provided that the area planted to tobacco in the different States of the Reich should not exceed the area grown during one of the crop years 1927, 1928, or 1929. Within the different States allotments of tobacco acreage were made to individual growers in 1931 and 1932 by the farmers' cooperative selling organizations. These organizations sold only tobacco grown on the acreage allotted, and sales were made only to firms who purchased their entire supply of German tobacco through the cooperatives. Thus no marketing facilities were available for tobacco other than that grown on the allotted acreages. For further details on the Government control of the German tobacco industry, see chapter X.

7. *Price-supporting measures for butter and lard.*—The enactment by the German Government of recent tariffs and other measures restricting and controlling the importation of edible fats were motivated by a desire to improve the price of domestic butter and lard, to reduce imports in order to maintain a favorable balance of trade and to render Germany as nearly independent as possible from foreign sources of necessary fats and oils. Earlier measures dealt with butter and lard. More recently, sweeping Government control of the German trade in all other fats and oils was provided for in a decree of March 23, 1933. The details of these measures are discussed in the following paragraphs:

(a) *Butter.*—Butter is the most important fat produced in Germany, both from the standpoint of quantity and value, and the Government's first protective measures were made in aid of the dairymen. An import quota was finally adopted at the end of 1932. (See sec. B-2 above.) The measure adopted reduced importations of butter, but in order to dispose of even the curtailed supplies it was necessary to reduce prices. The measure, therefore, failed to bring about the improvement in prices desired by the dairymen.

(b) *Lard.*—At the time the imports of butter were limited, a proposal was made and seriously considered to place imports of lard upon a similar basis, restricting them to a certain percentage of the amounts imported in recent years. The proposal was not carried out at that time, but in December 1932, in anticipation of the expiration on February 15, 1933, of the treaty of commerce between Germany and Sweden, which had provided for a low rate of duty on lard (10 reichsmarks per 100 kilos, or \$1.08 per 100 pounds), the German Government limited the importation of lard from January 1 to Feb-

ruary 15, 1933, to 20 percent of the amount of lard imported during the first 6 months of 1932. Later, the import duty on lard effective February 15, 1933, was increased to 50 reichsmarks per 100 kilos (\$5.40 per 100 pounds). This duty was equivalent to about 60 to 70 percent of the c.i.f. price of foreign lard at German ports of entry. The immediate effect of this high rate of duty was a sharp curtailment in lard imports. This measure, however, was only in operation for slightly more than a month when a far-reaching decree relating to margarine and vegetable oils was enacted. This measure provided essentially for monopoly control by the Government of the margarine and vegetable oil industry (see section (c) below), but did not provide for further restrictions on lard imports. Under this decree the domestic production of margarine for the quarter ending June 30, 1933, was restricted to 60 percent of the output during the last quarter of 1932. A consumption tax on margarine restored the former competitive position of lard with margarine in respect to price and developments under the restricted production of margarine began to favor importations of foreign lard in spite of the high duty. This tendency was promptly checked, however, by the enactment on May 13 of a higher tariff on lard. The tariff was raised from 50 reichsmarks per 100 kilos to 75 marks per 100 kilos (\$8.10 per 100 pounds). The new duty was designed to strengthen the price of domestic butter.

(c) *Oils and fats decree of March 23, 1933.*—The adverse effect of increased production and sale of cheap margarine upon the sale of German butter and lard had long been recognized, and German dairy organizations had been protesting for several years against the failure of the government to take adequate measures to protect them. During the latter part of 1932 a measure was enacted by the German Government to require margarine manufacturers to purchase regularly certain amounts of German butter and mix it with certain brands of margarine. This plan, it was thought, would provide an additional outlet for considerable quantities of butter and would improve the butter market. The margarine manufacturers protested that the mixture of butter and margarine would destroy the keeping qualities of the margarine and injure their trade. Eventually, a majority of the dairymen's associations also opposed the measure, and it was not put into effect. The regulation of the production and sale of margarine in Germany was finally provided for, however, in a decree of March 23, 1933.

The above-mentioned decree became effective on March 29, 1933, and placed all trade in vegetable oils, whale and fish oils, oleo oil, oleo stock, certain other animal fats and oils, margarine, and fat compounds completely under government monopoly control. It is undoubtedly the most comprehensive measure of its kind that has yet been adopted in Germany, and it is expected to have a material effect upon the edible fat situation. It is to be noted that the monopoly does not apply to lard. The new federal monopoly was put into operation on April 12, 1933, under the title "Reichsstelle für Ole und Fete."

One of the outstanding features of the new law is the clause which provides that the production of margarine from March 27 to June 30, 1933, shall be limited to 50 percent of the production during the last 3 months of the year 1932, with the possibility of an additional 10 percent if the authorities consider it necessary. The Government will maintain a minute supervision and control over the manufacture of margarine, including the ingredients used. Moreover, effective March 29, 1933, the duty rates on imported margarine, margarine cheese, and on artificial edible fats, have been increased to 75 reichsmarks per 100 kilos (\$8.10 per 100 pounds) in each instance, an increase of 150 percent for margarine and margarine cheese and of 500 percent for artificial edible fats, from the old duty rates.

Among the other features of the decree are the following: (1) Authority to the Minister of Foods and Agriculture to dictate prices for purchasing and selling the oils and fats covered by the law; (2) authority to compel utilization of German-produced tallow in the manufacture of soaps and candles; (3) authority to the Corn Monopoly to control the importation of, and trading in, all vegetable oil seeds, oil cake, and oil meal (effective April 6, 1933, by a decree dated March 29, 1933); and (4) authority to the Minister of Finance to impose a so-called "equalization fee" on margarine, artificial edible fats, edible oils, vegetable fats, and solidified oils sold for consumption in Germany. The measure further provides for the issuance to the needy, particularly the unemployed, so-called "fat cards" entitling them to purchase fats of all kinds at reduced prices, the Government paying the amount of the reduction from the income received through the "equalization fees" collected under the above-mentioned provision.

GREECE

Greece is dependent very largely upon agriculture for its economic welfare, agricultural products constituting the bulk of the export trade. The most important items in the export trade of the country are tobacco, currants, raisins, figs, olives, wine, and hides and skins. The country, however, is a deficit producer of wheat, and wheat and wheat flour constitute the most important items in her import trade. The direct price-influencing measures adopted in Greece as an aid to local producers are confined mainly to assisting wheat growers, currant producers, tobacco growers, and olive-oil producers. Such legislative measures have taken the form mainly of restrictions on imports, restrictions on exports, the granting of loans to producers, and an export bounty on olive oil.

1. *Tariffs*.—Greece levies duties on a long list of products both agricultural and industrial and the tendency in recent years has been to higher duties. Notable increases in recent years (1931 and 1932) were those for animal and vegetable fats and oils, cotton, wheat and wheat flour, barley, and oats. However, the duties on many other products were also increased. An interesting feature of the tariff practice of Greece is the policy of regulating the number of paper drachmas to be used in paying the duties which are all expressed in gold drachmas. In this way the Government is able to overcome the effect not only of variations in exchange but also the effect of the departure of Greece from the gold standard. Early in 1933 the rate for the conversion of gold drachmas into paper drachmas for the payment of duties stood at 20 paper drachmas to 1 gold drachma for all goods considered as prime necessities. For articles considered as luxuries the rate for such conversions into paper ranged from 22 to 1 to 30 to 1, depending on the article to be imported.

One of the most important laws in recent years in regard to tariffs in Greece was that adopted on November 27, 1931. This law increased the maximum duties (i.e., those applicable to countries not having trade treaties with Greece) to new maximum duties 10 times the former maximum rates. This law affected 32 countries with which Greece had no commercial treaties. Especially hard hit were Canada, Argentina, and Australia, from which Greece imports large quantities of wheat. The former maximum duty on wheat was 13.125 metallic drachmas per 100 kilograms (69 cents per bushel at par), and on wheat flour 19.25 metallic drachmas per 100 kilograms (\$3.30 per barrel at par). The minimum rates applicable to the United States and to other treaty countries at that time were as follows: Wheat, 10.5 metallic drachmas per 100 kilograms (55 cents per bushel at par), and wheat flour, 18.725 metallic drachmas per 100 kilograms (\$3.21 per barrel). Exceptions, however, were subsequently made in the application of the tenfold maximum duties on wheat. By a decree of August 23, 1932, the embargo duties were lifted on such quantities of grain and flour from Argentina as would equal in value the exports of Greek goods to those markets. Moreover, two decrees of December 31, 1932, and January 2, 1933 authorized the importation into Greece of 2,200,000 bushels of wheat from Argentina, 2,200,000 bushels from Canada, and 1,440,000 bushels from Australia at the regular minimum rates of duty instead of at the tenfold duty rate.

2. *The wheat concentration system*.—The Greek Government has been making special efforts since the war to encourage the cultivation of wheat and to improve the quality and yield of the local crop. As a result the production of wheat in Greece has increased considerably. Despite the increase in production local millers continued to show a marked preference for imported wheat. This preference was due mainly to the poor quality of domestic-grown wheat and its relatively small yield in flour. As a result stocks of domestic wheat accumulated in the country. In order to relieve the situation and to assure the consumption of domestic wheat within the country the Government since 1928 has maintained a so-called "concentration" system. The system has been amended from time to time but at present it provides for the purchase and concentration of the domestic wheat crop in the hands of a central committee and for its sale at fixed prices on a compulsory quota basis, i.e., fixed quantities of domestic wheat must be purchased by the millers at fixed prices before the necessary supplementary supplies may be imported. The compulsory purchase of the domestic crop by the millers remains in force each year until all of the stocks accumulated by the central committee are disposed of.

The above-mentioned "concentration system" was established by a law (3598) of July 10, 1928. According to that law, which was subsequently modi-

fied by the laws (4382) of August 21, 1929 (4817), of July 16, 1931 (4932), of April 18, 1931, and by the legislative decrees of November 14, 1931, a central committee was appointed consisting of the Minister of Agriculture as president, the chief of the market police, the director of the general chemical laboratory of the Government, the general inspector of agricultural associations, and one representative each from the Agricultural Bank of Greece, the General Privileged Warehouse Co., the Association of Greek Millers, and the two unions of agricultural associations of Thessaly and of Macedonia and Thrace. This committee was authorized to determine the quantities of wheat to be purchased from each district and to fix the price at which it would be sold locally. The price fixed by the committee has been considerably higher than that of imported wheat.

The wheat thus concentrated is disposed of in the following manner: (a) Each mill having a daily capacity of 15,000 kilos (551 bushels) and up must mix 25 percent domestic wheat with the imported wheat; (b) all importers of wheat or flour must purchase an analogous percentage of domestic wheat as long as domestic stocks are available on the market. The purchase of domestic wheat by importers, however, is obligatory only during the period of concentration of Greek wheat, usually from October to April. As a rule the domestic crop is entirely disposed of by April. After that date importers may import wheat subject only to the regular duty (mentioned under tariffs) and to a special fee fixed by the committee. The law specifies that this special fee, which is assessed in addition to the import duties, may not exceed 20 leptas per kilo (12 cents per 100 pounds at par) of imported wheat or flour.

The percentage of domestic wheat to be purchased by importers and the extra fee mentioned in the preceding paragraph are determined and fixed by the committee in advance of the respective periods. During the period November 1, 1930, to March 7, 1931, the percentage of domestic wheat which had to be purchased by importers was fixed at 10 percent of the quantity of imported wheat or flour. During the period March 8, 1931, to November 1, 1931, the extra fee was 17.48 leptas per kilo (10 cents per 100 pounds at the rate of paper drachmas 77 to the United States dollar) of imported wheat or flour. For all imports of wheat or flour effected through the 13 class A customhouses of Greece during the period November 1, 1931, to March 1932 the amount of domestic wheat to be purchased by the millers was fixed at 15 percent, while the price which they had to pay for domestic wheat during that period was fixed at drachmas (apparently paper drachmas) 5.15 per kilo (\$1.82 per bushel). For imports effected through "other" customhouses, importers were not obliged to purchase domestic wheat, but had to pay a fee of 17.48 leptas per kilo (10 cents per 100 pounds) of imported wheat or flour (in addition to the import duties). The quantities of domestic wheat available for concentration during this (1931-32) season were small and were expected to be completely disposed of by February 1932. After that date all wheat and wheat-flour imports were to be subject (in addition to the import duties) only to the fee of 17.48 leptas per kilo (10 cents per 100 pounds).

The concentration of the wheat is made by the central committee either direct or through a banking organization, with the cooperation of the General Privileged Warehouse Co. of Greece. In previous years the National Bank of Greece had been intrusted with the financing and warehousing of the wheat, but during the 1930-31 and 1931-32 periods the Agricultural Bank of Greece was charged with the purchase of the domestic crop for the account of the central committee previously referred to.

In addition to the concentration proceedings the central committee is also invested with other duties concerning the protection and promotion of wheat production in Greece. The scope of the committee may be summarized as follows: (a) Maintaining the price of domestic wheat by the above-described system of concentration and sale in Greece; (b) granting of monetary prizes to progressive wheat growers and establishing and subsidizing model wheat-producing villages; (c) construction of warehouses, with or without wheat cleaning and disinfecting installations; (d) the purchase, in Greece or abroad, of seeds of choice varieties of cereals and their distribution to farmers at reduced prices or against exchange with wheat of local production, as well as the distribution of seeds on credit; (e) cooperating with and assisting the Institute for the Improvement of Plants for the purpose of experimenting and determining the varieties of cereals most suitable for each district; (f) the granting of subsidies to the service of mechanical cultivation; (g) upholding

the prices of barley and oats by concentration and sales in Greece. Up to February 1932, this latter feature had not yet been enforced.

The concentration system, as enforced by the Government up to the end of 1931, had made possible the disposal of the domestic wheat crop at comparatively good prices, and although it caused an increase of about 50 leptas per oke in the average price of bread, it was expected to be maintained in Greece until world conditions and the wheat situation in Greece show a material improvement.

For several years the government of Greece has enforced regulations governing the quality of flour sold in the Greek market. By decrees of December 8 and 23, 1931, for example, the Government ordered that only two qualities of wheat flour and bread could be produced in Greece, regardless of the foreign or domestic origin of the wheat used. The decrees stipulated that wheat flour produced in Greece for bread making must be either white flour of 78 percent extraction or clears of 92 percent extraction, regardless of the origin of the wheat used. The baking, sale, and distribution of bread from other than the above-mentioned qualities of flour were prohibited. The regulations on flour became effective on January 30, 1932, and on bread on February 1, 1932.

The two qualities of wheat flour and bread permitted to be produced in Greece were modified by a decree of April 6, 1932. According to this decree, wheat flour produced in Greece for bread making had to be either white flour containing no more than 2.30 percent nor less than 1.80 percent bran, or clears containing no more than 16 percent nor less than 15 percent bran, regardless of the origin of the wheat used. The baking, sale, and distribution of bread from other than these qualities of flour were prohibited. These regulations became effective on April 9, 1932, for flour and on April 11, 1932, for bread.

According to a decision of the Minister of Finance and Interior announced early in March 1933, all wheat flour milled in Greece from March 20, 1933, until further notice must consist of the following mixture: Sixty percent Argentine wheat, 15 percent Australian wheat, 15 percent Canadian (Manitoba No. 1), and 10 percent American (5 percent dark hard winter and 5 percent hard winter no. 1). Prior to March 20, 1933, locally milled flour had to contain a mixture of 40 to 60 percent hard winter, 20 to 40 percent Russian wheat, and the balance Greek wheat. The new mixture, effective March 20, 1933, did not include Greek wheat, since the 1932 crop was practically exhausted. It was felt that enforcing the mixture of such Greek stocks as still remained on hand would seriously affect the quality of bread made from the flour. Even the new mixture, it is said, will produce bread much inferior to that which has been consumed up to the present time.

3. *Currants: price-influencing measures.*—A semiofficial organization known as the "Autonomous Central Currant Office" has for the past 5 or 6 years been concerned with maintaining prices paid for Greek currants. The Greek currant industry has been the subject of legislative experimentation ever since 1895 when the so-called "retention act" was passed. This act provided that exporters deliver 15 percent of their intended exports to the Government to be used within the country for industrial purposes and thus maintain prices by creating an artificial shortage in the export market. Profits made by the Government on the sale of this fruit were used to establish the currant bank, which was to finance the growers.

The current bank failed in 1904. As a result the Government established a monopoly known as "The Privileged Co", which was authorized to buy and sell the domestic crop. The Privileged Co. was a private stock company, and its charter ran until 1925. When this charter expired in 1925 the government refused to renew it on the ground that the company had not improved the economic status of the domestic currant industry during the 20 years of its activity.

A new law enacted in 1925 created the Autonomous Central Currant Office, a large central cooperative association made up of representatives from all branches of the industry as well as representatives of various Government departments. The Central Currant Office is a nonprofit association with semi-monopoly powers but with a minimum of government participation in its conduct.

The Central Currant Office undertakes, in addition to less important tasks, to purchase a certain percentage of the crop at fixed prices and to handle and dispose of these currants; to improve methods of production and marketing; to regulate exports by means of retentions so as to maintain prices in the foreign market; and to expand foreign markets for Greek currants. It does

not directly intervene between buyer and seller. All it does is to fix the amount of currants that must be turned over to it annually by the growers and the prices that will be paid for such fruit. For the 1930-31 export season this "retention" was placed at 50 percent. The Central Currant Office attempts to dispose of these retention currants so as not to compete with the exportable surplus. Brokers, dealers, packers, and exporters are free to carry on their operations with nonretention currants without interference by the Central Currant Office. The whole theory is that by thus creating an artificial scarcity of currants for export the growers will obtain higher prices for the exportable part of their crop than they would otherwise obtain. It is based, of course, on the theory of a quasi-monopolistic position for Greece in the world's currant production and trade.

As a further measure of relief to the currant industry the Government issued a decree in February 1933 providing for the compulsory mixing of currants with bread. According to this decree bakers in Greece must sell one loaf of currant bread for each 3 loaves of plain bread. Currants needed for the bread are furnished by the Central Currant Office, which either sells them direct to the bakers or distributes them to flour millers or dealers for sale to the bakers' associations. The price of the currant bread may not exceed that of the ordinary bread, according to the law.

4. *Relief measures for tobacco growers.*—Because of the great economic importance of the Greek tobacco industry, the Government has been particularly solicitous concerning it. Tobacco is by far the most important of the products exported from Greece. Low prices in recent years and increasing foreign competition have been keenly felt by the Greek growers. Accordingly a series of relief measures were adopted during 1930 to cope with the tobacco crisis. The principal measures were: (a) Granting of loans by the agricultural bank in order to enable growers to hold their tobacco for better prices; (b) prohibition of tobacco cultivation on land unsuitable for tobacco, so as to prevent overproduction; (c) reduction of direct taxes; (d) regulation of tobacco transactions between planters and traders.

In 1931 the Greek Government announced its intention of purchasing from 20,000,000 to 22,000,000 pounds of refuse and damaged tobacco carried over from the 1929 and 1930 crops. Early reports indicated that about 14,000,000 pounds of such tobacco was to be purchased in Greek Macedonia and Thrace at prices ranging from 3 to 5 cents per oke (1.06 cents to 1.77 cents per pound). All of this tobacco was to be destroyed. The Greek Government was also reported as planning to purchase a large quantity of good tobacco from old stocks in order to relieve the domestic tobacco situation. The good tobacco was to be retained by the Government for a period of 2 years before offering it for sale. With a view to preventing the production of poor quality tobacco the Greek Government promulgated a decree during the 1931 harvest season prohibiting the picking of tobacco leaves of inferior quality.

5. *Export bounty on olive oil.*—The Greek Government issued a decree on December 24, 1931, designed to maintain the price of olive oil produced in Greece, which, in principle, establishes an export bounty on olive oil. This decree fixed the minimum purchase price at 14.5 drachmas per oke (6.7 cents per pound) for oil of 5° acidity delivered at port of exportation in districts where the land tax is paid in the customhouses during exportation and at 16 drachmas per oke (7.4 cents per pound) in all other districts. For each degree of lower acidity the price is increased by 2 percent on each hundredth of acidity in olive acid and for each degree of acidity in excess of 5° the price is decreased by 1½ percent.

In order to assure that producers will not receive less than the fixed minimum prices the Government is authorized to take charge of the exportation of olive oil up to 8,000,000 okes (22,560,000 pounds) by either purchasing outright that amount of oil at the fixed prices or by offering bounties to individuals who undertake the exportation of olive oil to foreign countries on the basis of the fixed prices. The Government may also appoint a special committee to control the quality and packing of olives which are to be exported. The aim of this decree is to enable producers to obtain in the local market at least 14.5 drachmas (6.7 cents per pound) for olive oil by exporting the surplus of about 8,000,000 okes (22,560,000 pounds) which cannot be consumed locally.

6. *Import quotas.*—On May 7, 1932, a law was enacted authorizing the Government to prohibit imports of any class of goods, to restrict imports by quotas, or to permit their entry only under special authorization. The law also authorized the Government to make agreements with other States, or with other public

or private organizations with a view to the exchange of products. It also allowed the establishment of clearing houses for such transactions. In general, the spirit of the law appeared to be that of stimulating exports on the basis of the exchange of Greek products for imports of foreign goods, restricting imports by means of quotas.

In accordance with the provisions of this law a decree was issued fixing import quotas for a 6-month period beginning May 15, 1932, on a long list of products including raw cotton, coffee, tea, sugar, livestock, prepared meats, cheese, butter, eggs, potatoes, fresh and dried fruits, fresh vegetables, oleaginous seeds, nuts and kernels, vegetable oils, wines, cocoa, hides and skins, and fertilizers. The chambers of commerce of the country were authorized to control the apportionment of the quotas among the importers of their respective regions. On November 16, 1932, the application of quotas was extended for another 3-month period, until February 15, 1933, and the quantities that could be imported during that period were fixed at one half of those imported during the first quota period. Another decree, issued on December 27, 1932, extended the application of the quota system to May 15, 1933. The new quotas in this decree were generally 10 percent less than the amounts permitted during the previous 3-month period. Another decree dated December 29, 1932, provided that after February 16, 1933, the importation of fresh fish, fresh apples, pears, plums, cherries, and citrus fruit (other than lemons) could be made only in exchange for exports of Greek products. Such imports were regulated by a system of permits issued by the Bank of Greece.

HUNGARY

Predominantly an agricultural country, Hungary is on an export basis for a large part of her agricultural production. Though she imports some agricultural products such as rice, fruits and nuts, tobacco, hides and skins, wool, cotton, jute, coffee, etc., she also exports some tobacco, wool, and fruit; and she is a larger exporter of cereals and other agricultural products, including livestock and meat, eggs, potatoes, and sugar. Hence the more important of her agricultural price-supporting measures have necessarily taken the form of aids of one sort or another to the export branches of her agriculture. The most outstanding of these are the measures which she has applied to wheat (her chief export) and to rye. Other phases of intervention include a tobacco monopoly, regulation of the sugar industry and of the dairy industry, the restriction of imports by tariffs and other means, the negotiation of preferential entry for Hungarian products into other countries, intervention in the hog industry in a variety of ways, and emergency credit aids.

1. *Government intervention in, and monopolistic control of, the wheat and rye trade.*—In several ways the Hungarian Government has intervened in the grain trade for the purpose of securing better prices for the grower. The Government exercises monopolistic powers through the medium of various permanent institutions set up for the purpose of regulating internal and external trade; and with these as a nucleus the Government has resorted to a number of measures on the side of control technique. Most striking among these latter is the "grain-ticket" system, which has been in operation during the last 2 years. This system involves a special technique by which the Government is enabled to pay a bounty on wheat and rye to the grower and to the exporter, while selling the exportable surplus abroad for whatever it will bring, and assessing the costs indirectly upon the consumer. In July 1932, however, the system was augmented by other measures under which the farmer was exempted from land taxes, the revenue loss therefrom being compensated partly by continuance of the milling tax on flour output but chiefly by the funds arising from sale of the grain tickets.

The discussion below will deal first with the more permanent features of Government intervention in the wheat and rye trade, as revealed in the basic institutions set up for that and other purposes; second, with the particular device (the grain-ticket system) which is employed for providing production and export bounties; and finally with the new plan of a production bounty on wheat and rye as formerly plus outright tax exemption for the small farmer regardless of what product he has to sell.

(a) *Monopolistic control of the grain trade and agencies associated therewith.*—Among the more permanent features of Government intervention in the grain trade of Hungary is the exercise of monopoly control through the Futura, the Syndicate of Exporters, and the Syndicate of Millers. The Gov-

ernment holds controlling shares of ownership in the Hungarian Cooperative Societies Trading Co., Ltd., known as the "Futura", which has come to be the dominating factor in the Hungarian grain market, and in the Cooperative Credit Union, which finances grain operations. The most important share of the Futura's business has been on Government account. The scope of the company's activities, as contemplated in its bylaws, is as follows: "To collect products of agriculture and the agricultural industries in Hungary and market same among home customers and abroad, and to import and market foreign commodities needed in agriculture and the agricultural industries of Hungary; to create and direct, through a central organization, establishments for storage and other enterprises connected with the marketing of both raw and processed agricultural products * * *."

The broad scope of the foregoing provisions authorized the Futura to establish a monopoly over any branch of agriculture, or even over the whole of the agricultural industry. The Hungarian Government has taken advantage of the powers granted to the Futura, turning them to its own account to control the country's trade in wheat and rye, especially wheat. The large Hungarian wheat crop of 1930 led the Government to adopt a program of wheat-price maintenance. At first the Futura was authorized to purchase wheat on Government account at world price parity; but with the continued decline of prices, the Government in August authorized the Futura to offer prices for March delivery at Budapest substantially above the world market basis. This action prevented spot prices from falling as low during the autumn as otherwise would have been the case had they remained at world parity. Furthermore, as a result of this authorization, the Futura contracted large quantities of March deliveries of wheat that normally would have been sold for export or for home consumption during the fall and winter months. In short, the Government, through the agency of the Futura, had embarked definitely on a program of stabilization operations. By the 1st of February 1931 the stocks held by the Government had grown to a point where they represented the bulk of the country's surplus. Acting for the Government, the Futura had come to occupy a dominating position in the wheat (and rye) markets of Hungary. Even as late as May 1932 it was reported that these stabilization stocks had not yet been completely disposed of.

The monopolistic powers of the Government were further extended through two subsequently created organizations (incorporated in 1930-31), which brought the grain-export trade and the flour-milling industry under centralized control. These were the Hungarian Syndicate of Exporters, to which all exporters are compelled by law to belong, and the Syndicate of Millers. The Syndicate of Exporters exercises monopolistic control over the exportation of wheat, since the Government prohibits the exportation of wheat from Hungary by those who are not members of the syndicate. The purpose of this organization is to regulate the Hungarian export trade and reduce competition among the individual exporters. Thus, for example (for the time at least), it established minimum prices at which wheat might be sold for export to Austria, to which country about half of Hungary's wheat exports have gone in normal times. In general, the organization is said to have successfully prevented excessive competition between exporters during the 1931-32 marketing year. The administrative branch of the Hungarian Government, like the administrative branches of most of the central European countries, is in a position to exercise a considerable degree of control over such corporate bodies. Over and above the usual authority, the Hungarian Government was also empowered by legislation of 1930 to "determine the price to be collected by millers for milling, the rate of sifting, the price of the products of milling, and the price of bread", and to "establish by decree the proportion and quality of rye to be mixed with the wheat for the manufacture of bread."

(b) *The grain-ticket system and other aids to export, 1930-32.*—The most interesting feature of Hungarian grain-control methods of recent years is the unique system of grain tickets, or cereal-purchasing permits, which was in force during the crop years 1930-31 and 1931-32. It was a particular technique adopted for the purpose of enabling the farmer to obtain prices above world parity for wheat or rye notwithstanding the large exportable surplus that must be disposed of in world markets.

A law effective July 15, 1930, specified that wheat, rye, or their mixture, both imported and domestic, moving in commercial channels must be accompanied by a purchasing permit. This permit was obtained by the prospective purchaser of cereals from the local municipal authorities at a cost during the first

year of the operation of the law of 3 pengo per quintal (14 cents a bushel), and during the second year of 10 pengo per quintal (48 cents a bushel). The receipts from the sale of these permits went into a cereals valorization fund kept in the custody of the Minister of Finance and controlled by the Ministers of Finance, Economy, Agriculture, and Commerce acting jointly. The cereals ticket included a coupon which was given to the farmer when the grain was purchased from him, so that he obtained the coupon in addition to the selling price of this grain. Up to July 1931 the redemption value of the coupon was fixed at 3 pengo per quintal (14 cents a bushel) of wheat sold, applicable first in payment of taxes, any residue being receivable in cash. During the second year of the operation of the law the redemption value of the farmer's coupon was fixed at 6 pengo per quintal (29 cents a bushel), 3 pengo of which had to be applied first in payment of taxes, any residue after payment of taxes being receivable in cash, and 3 pengo of which were receivable in cash. The source of these redemptions was, of course, the valorization fund derived mainly from the sale of the purchaser's permits or tickets.

As the grain moved from buyer to buyer each one was obliged by the law to purchase the accompanying permit from the preceding owner, so that the cost of the wheat or rye to the former owner automatically decreased to the level of the market price quotation. This could happen so long as the grain was sold to some other purchaser or intermediary in Hungary. But after the grain came into the hands of the wheat exporter or of the domestic miller, further shifting of the burden through sale of the ticket could not continue. The exporter obviously could not dispose of the ticket to his foreign clients; the miller did not sell wheat but flour and, unless reimbursed for the cost of the ticket, had either to absorb its cost or to charge higher prices for his flour.

What in fact happened was that the wheat exporter was reimbursed by the Government for the cost of the ticket, but the miller was not directly compensated except in connection with flour which he exported. The Government took up the cereals ticket from both miller and exporter. It reimbursed the exporter of the wheat and flour for the cost of the ticket, thus enabling both to compete in the world market without this added burden. But the Government did not similarly reimburse the miller for the added cost of the wheat ground into flour for sale in the domestic market. Rather, he was obliged to surrender his purchasing permits without compensation; so that the cost of the ticket became simply an added cost of production. Hence, except insofar as he might absorb the burden himself, the miller was compelled to pass it along to domestic consumers in the form of higher prices for flour. On the basis of a milling ratio of 70 percent, the cost per quintal of flour was about 14 pengo (\$2.18 a barrel). In addition to the cost of the grain ticket, the miller's burden included after July 1931 a new flour turnover tax of 2.5 pengo per quintal on wheat flour (39 cents a barrel), rye flour being made tax free. This tax, imposed by the same decree that increased the value of the grain ticket, replaced the former flour tax of 10 percent ad valorem.

The only transfers of cereals that did not have to be accompanied by the grain ticket were: Cereals transferred from one farmer to another for agricultural purposes, or household use; cereals transferred by a farmer as payment for work executed on his farm; cereals given by the farmer to clergymen, teachers, and other community employees who obtained their salary in farm products; and cereals delivered to millers, as payment for grinding, by persons authorized to have cereals ground at custom mills.

From July to October 1931 more direct encouragement to exports was provided in the form of an actual premium of 3.5 pengo per quintal (16 cents a bushel) on the exportation of wheat or its equivalent in flour. The new regulation went into effect on July 20. However, the Government did not begin the payment of export premiums promptly; and as late as April 1932 it was reported that a large amount still remained unpaid. Payment was delayed partly because of a deficiency in the valorization fund resulting from its use for special relief to the needy (see below), and partly because the Government contested payment on the grounds that exporters had not increased the purchase price of wheat for export to the extent of the export premium. Before making actual payment, the Government examined the books of a large number of Hungarian exporters in an effort to determine what part of the premium had actually been paid in the purchase price to farmers. On October 18, 1931, the premium was discontinued. Finally in May 1932 the Government announced that it would pay 2.5 pengo per quintal (12 cents a bushel) as premium on the wheat exported between July 20 and October 18, 1931.

Exportation was facilitated also in other ways. Wheat flour destined for a foreign market was granted exemption from the sales taxes assessed on other flour, the exemption amounting roughly to about 70 cents a barrel of flour or 20 cents a bushel in wheat equivalent. The exemption took the form of a refund paid out of the valorization fund.

It will serve to epitomize the situation which obtained after the system of aids to the cereal grower during 1930-32 got under full headway to note the payments provided in connection with the marketing of the 1931 crop. These were as follows: First, 29 cents a bushel to the grower, half in the form of tax credits; second, 48 cents a bushel to the exporter of wheat to reimburse the cost of his grain ticket and enable him to sell at world prices; third, 16 cents a bushel to the exporter (subsequently reduced to 12 cents) as an added premium for removing the grain from the domestic market; fourth, payments to exporters of wheat flour corresponding to those made to exporters of wheat; and, fifth, a refund to flour exporters of the amount of the sales taxes assessed on all flour milled in Hungary, the refund being equivalent to 20 cents a bushel of wheat. It may also be noted parenthetically that a provision of minor importance in the basic law of June 1930 directed that payments should be made out of the cereals valorization fund for reducing the State taxes on lands of those owners whose net registered (cadastral) revenue on the whole of the land property included in the territory of a commune did not exceed 58 pengos (\$10.14).

As has already been indicated in connection with the payment of the export bounty on wheat, the elaborate system of bounties did not work out as contemplated. An important reason for the delay in the payment of export premiums was that the special fund from which the premiums were to be paid was temporarily employed for "Government relief action" for the needy. The total amount used in the relief action has been estimated at 25,000,000 pengos (\$4,372,000), and of this amount about 6,000,000 pengos (\$1,049,000) was from the funds set aside for the payment of export premiums. The relief action consisted in buying large quantities of bread cereals from producers at the market price of about 57 cents a bushel, plus the 29-cent grain ticket coupon. These bread cereals were then ground for resale to the poor at the purchase price less the value of the grain ticket coupon of 29 cents. The latter price represented a reduction in the price of flour to the poorer population at the rate of \$1.55 a barrel, this figure being approximately the difference arising from the full cost of the grain ticket to the millers (namely 48 cents a bushel), which entered into the price of other flour sold in the domestic market. The quantity of wheat and rye to be used by the government in this action was estimated in the autumn of 1931 at 44,000 short tons, but as late as April 1932 it was indicated that more than 110,000 short tons had already been used. On this grain the Government failed to realize any income from the sale of grain tickets, but was nevertheless compelled to assume the burden involved in redemption of the coupons to the farmers. The relief action expired on March 15. In addition to this type of relief the Government distributed wheat for seeding in the northern regions of Hungary, where freezes and insects had ruined the 1931 crop.

(c) *Modified system of relief to wheat and other farmers, 1932-33.*—The grain ticket system as administered in 1931-32 proved to be a burden to the already heavily burdened national treasury; according to the London Economist a deficit of 20,000,000 pengos (\$3,490,000) resulted at the end of the 1931-32 crop year. Consequently, for the 1932-33 crop year, a considerably modified system of relief was adopted. According to an official announcement in April (1932), the grain-ticket system was to have been abolished and replaced by one of outright tax abatement; but a decree of June (1932) provided for continuance of the ticket system (somewhat modified) during the 1932-33 crop year, in combination with the new system of outright tax abatement.

By the terms of an order-in-council dated in April and to come into force in July, the Government was to pay the farmer's land tax for 1932-33 instead of giving him cash and tax credits upon the sale of wheat or rye. The expenses were to be covered by a single milling tax at the rate of 12.5 pengos per quintal (59 cents a bushel), equal to the former 10 pengos grain ticket plus the former 2.5 pengos milling tax. In the case of custom milling, that is, where cereals are ground for the farmer's own consumption, the milling tax was to be refunded to the farmer on the basis of certificates issued to him by local authorities. To insure tight control over mills, a supervisor was to be

placed in each large mill. As originally planned, the chief aid to the wheat grower in 1932-33 was to have been in the form of reduced overhead through tax relief, in contrast to the coupon system which had given relief partly in this form and partly in increased cash income.

But the more recent decree of June restored the grain ticket in modified form, and reduced the 10 pengo tax on milling to 2.5 pengo, while at the same time it retained the new feature of tax abatement to the farmer. As in 1931-32 the price of the grain ticket from July 1, 1932, was to be 10 pengo on each quintal of grain conveyed in commercial trade channels; but, in contrast to the former situation, the value of the coupon given to the farmer was now to be but 4 instead of 6 pengo (19 cents instead of 29 cents a bushel), and the value of the ticket proper which finally accrued to the relief fund was to be 6 instead of 4 pengo (29 cents instead of 19 cents a bushel). The special charges on the milling industry remained the same as during 1931-32, consisting of the 10-pengo ticket plus the milling tax of 2.5 pengo. The export trade likewise was relieved of the burden of these charges by means of refunds as formerly.

In addition to the bounty of 4 pengo per quintal on the sale of wheat or rye, the farmer was to receive a refund of the land tax payable in the budget year 1932-33, provided that his net revenue derived from property within one community did not exceed 116 pengo (\$20.30). Growers of wine grapes received the tax refund regardless of the amount of their income. As a further alleviation, the extent of compulsory participation by farmers in community public works was reduced somewhat.

The refund of the land tax and any deficits in county road budgets caused by the reduced compulsory work of the farmers were to come from a relief fund as formerly. This fund was practically the same as the cereals valorization fund of 1930-31 and 1931-32, being now renamed the "agricultural relief fund." Reimbursement for the grain ticket to exporters of wheat and flour and of the milling tax to exporters of flour is made from the fund, as previously. The principal sources of payments into the fund are likewise the grain ticket and the milling tax. The new decree is not clear as to whether the farmers' coupon is to be redeemable entirely in cash or partly in cash and partly in tax credit. It is clear, however, that the chief source of revenue for making up the deficit on account of tax abatement to the farmers, instead of being a single milling tax of 12.5 pengo, was to be the grain ticket. In conclusion, it remains to be noted that no mention was made of an export premium on wheat or any other cereal, the idea of such an aid apparently having been definitely abandoned in October 1931.

2. *Monopoly of tobacco production and trade.*—In Hungary production and trade in tobacco are directly under Government control, the exclusive right of purchase and sale being vested in the Hungarian Tobacco Monopoly, subject to the control of the Minister of Finance. Production and export are permitted only by license of the monopoly, the manufacture of tobacco products being carried on by the monopoly itself. Importing is done by the monopoly or by persons having license to do so, and the sale of tobacco products is allowed only in shops licensed by the monopoly. During each year the Ministry of Finance issues a decree classifying all Hungarian produced tobacco and giving the prices to be paid to the growers for each kind. Tobacco plantings are regulated, growers being required to obtain a license for definite acreage allotments. A grower applying for a permit to grow tobacco in Hungary must own an area of land suitable for tobacco production equal to at least five times the area which he is to devote to tobacco. He must also possess drying, curing, and finishing buildings conforming with specifications issued by the monopoly. Seeds are furnished free of charge to the authorized growers from a special Government experiment station.

3. *Regulation of the sugar industry.*—In Hungary both the production and marketing of sugar are under Government control; and Hungary is a party to the International Sugar Agreement, providing for the restriction of sugar exports on the part of the leading sugar-exporting countries. (Concerning the agreement, see "Cuba" above.) Under the original agreement Hungary had an annual quota of 92,703 short tons. In 1930-31 she exported 91,833 tons, or almost the whole amount of her quota. For the 1931-32 season the quota allotted to Hungary was 95,000 short tons. Most of the 2,297 tons over and above the quota of 92,703 tons originally assigned to Hungary is made up of her share (2,139 tons) in the portion of Germany's export quota which remained

unfilled at the end of 1931 and was to be made up by additional exports this year.

The sugar factories of Hungary are obliged to carry their accruing surpluses on a separate account under the direct control of the Minister of Finance. The volume of production is regulated by agreements between factories and beet growers. For the 1932 crop they agreed upon a maximum production quota of 900,000 tons of beets, as compared with the 1931 quota of 1,290,000 tons. The basic beet price was fixed at 2.15 pengo per 100 kilos, as against the previous year's 2.5 pengo (17 cents as against 20 cents per 100 pounds).

Government intervention in the sugar industry also includes the fixing of prices and profits in the marketing of the finished product. The amount of profits that wholesalers and retailers of sugar may make is established by the Hungarian Government and the National Association of Hungarian Sugar Manufacturers. Wholesale grocers selling to retailers are permitted to make a profit of 8 cents a hundred pounds, while retailers may charge a profit of from 2 to 3 percent in selling to customers.

4. *Price-fixing in the dairy industry.*—A law enacted in Hungary during 1931 authorized the Ministry of Agriculture to fix the lowest purchase price payable to the producers of milk and the maximum retail sales price to be charged to consumers. The ministry was further authorized to fix the maximum cost of distribution, the gross income, and the sales discount. It may change the administrative or sales methods of the milk distributors and may curtail the number of branch stores by limiting the minimum sales to 25 liters per day. It may even order the merger of small and inadequately financed distributors or producers into larger commercial units in order to obtain the necessary financial support for successful operation. The wholesale purchase and sales prices of milk and milk products are fixed from week to week by a Price-fixing Committee of the National Dairy Association.

5. *Import restrictions.*—Since Hungary is primarily an exporting country as regards agricultural products, import restrictions have not been of primary significance for the maintenance of agricultural prices. Livestock, cereals, eggs, wool, apples, potatoes, and sugar are on a net export basis. On wheat the duty is about 35 cents a bushel plus an import turnover tax of 3 percent on the duty-paid value; on wheat flour it is about \$2.35 a barrel plus the turnover tax of 3 percent. Wool is duty free, being subject only to the import turnover tax of 3 percent ad valorem, c.i.f. basis. A duty of 1.4 cents a pound gross weight is imposed on apples when packed in boxes and barrels without wrapping, of 2.4 cents when each individual apple is wrapped; the 3 percent turnover tax applies here also. A duty of about 3.5 cents a pound is charged on sugar, plus a consumption tax of 4 cents a pound and an import turnover tax of 9 percent of the duty-paid value. Such products as wool and apples, being on an export basis, do not receive any significant amount of benefit from the duties imposed on their importation. The same would be true of the other products on an export basis but for monopolistic trade-control measures making the tariff more or less effective in spite of exportable surpluses. In the case especially of wheat flour and sugar domestic prices have been maintained by means of artificial controls at levels above world parity, notwithstanding that both are on an export basis.

Agricultural products on an import basis are rice, cotton, jute, and coffee. Obviously a duty on cotton, jute, or coffee has little or no protective value for the Hungarian farmer inasmuch as he does not grow them. Rice competes indirectly as a cereal with the native cereals such as wheat. On polished rice the duty is 0.55 cent a pound.

The recent tendency in Hungary as in other countries has been toward increasing restriction of imports. On January 1, 1931, a duty of 3 gold crowns per 100 kilos (0.27 cent per pound, or 2.32 cents per gallon) was imposed on milk, and the duty on hops and hop meal was increased from 25 to 200 gold crowns per 100 kilos (i.e., from 2.30 cents to 18.38 cents per pound). On March 17, 1931, the duty on sugar was increased from 36 gold crowns to 38.8 gold crowns per 100 kilos (3.3 cents to 3.5 cents per pound). On September 9, 1931, the turnover tax on imported and domestic goods was increased from 2 to 3 percent and for lump rates by one half. Following an earlier increase in the consumption duty on sugar, a decree issued in October 1931 increased customs surtaxes on a number of articles mixed or prepared with sugar. Effective January 23, 1932, a special permit was required for the importation of a list of 42 commodities, including fresh apples, cheese, and raisins among others.

These commodities were also made subject to a customs-handling tax of one half of 1 per cent of their value. On March 6 the list was extended to other products, including corn.

The urgent necessity for currency defense has led the Hungarian Government to take measures that have benefited the cereals industry by discouraging the importation of corn. Payments made by Hungarian merchants to parties abroad must first be authorized by the Hungarian National Bank. Authorization must be requested prior to importation, and requests are granted only on products that are absolutely necessary and that cannot be replaced by a domestic product. The importing of Rumanian corn, as a consequence, became practically impossible, so that the Hungarian market was rendered free from competition from foreign sources.

6. *Negotiations for preferential access to European markets.*—Hungary has participated in the common efforts of the 4 Danubian countries to secure preferential access for their grain to the markets of central and western Europe through the exchange of tariff concessions with those countries. (Concerning conferences of the Danubian countries in 1930–32 for the purpose of developing a program of concerted action in this and other matters affecting disposal of their grain surpluses, see chap. VII above). In order to speed the process of securing the advantages of international agreements, the lower house of the Hungarian parliament on November 6, 1930, passed a bill giving authority to the council of ministers to conclude treaties with foreign countries and to promulgate them by decree. Such treaties were to last only 3 years and their denouncement was to be preceded by 6 months' notice.

Hungary has negotiated individual agreements with a number of countries importing foodstuffs. Some of these provide for tariff preferences; others include clearing agreements which, while designed primarily to defend the national currency from depreciation, have conveyed trade preferences and thus have served also to facilitate exports. During the last 2 years or so Hungary has negotiated or concluded treaties with Austria, France, Germany, and Italy for exclusive preferences. The treaty with Austria, effective from July 1931 to June 1932 involved a general exchange of tariff preferences, those granted by Austria to Hungary applying mainly to agricultural products. At the same time that the Austro-Hungarian Treaty went into effect a commercial treaty with Germany became effective. But the tariff preferences granted to Hungary by this treaty were suspended until the acquiescence of countries having most-favored-nation treaties with Germany could be obtained. Up to January 1933 the tariff preferences remained inoperative, still awaiting such approval. In November 1931, Hungary concluded with France an accord including among its provisions the extension of what amounted to a preferential tariff on Hungarian wheat, to be discussed below; this provision became effective at the end of July 1932. Hungary has been for some time endeavoring to negotiate a commercial treaty with Czechoslovakia, providing for reciprocal tariff preferences, but none has as yet been concluded. Of most recent date is the export agreement of March 7, 1932, concluded between Italy and Hungary which, while not specifically providing for tariff preferences, nevertheless opens the way for what amounts to the same thing.

The Austro-Hungarian treaty above referred to was signed on July 19, 1931, 3 weeks after the expiration of the previous treaty between the two countries. The new treaty was designed to promote the mutual exchange of goods by means of indirect tariff preferences. A common fund, ostensibly private but in fact contributed to by the national treasuries of both countries, was established. Out of this fund the exporters of each country were paid a discount from the import duties charged by the other, the net effect being that each country granted a tariff preference to the other. Currency control restrictions finally rendered the exchange of preferences inoperative; and on June 30, 1932, the treaty was canceled by the Austrian Government, the announced intention being to replace it with a new one based on the open-preference system. Owing, however, to the ingenuity of the plan, whereby through Government-controlled private financial institutions it was possible to reconcile what amounts to an exchange of tariff preferences with most-favored-nation obligations, a more detailed account seems warranted at this point.

The Austro-Hungarian Treaty contained four separate agreements; but it is only the last part of the treaty with which we are here concerned. This dealt with special measures designed to facilitate the exchange of goods between the two countries. Aid was to be extended to exports in the form of preferential freight rates and special credit facilities granted to exporters in both countries.

The two Governments agreed that each should appoint certain domestic corporations to execute measures for aiding the exportation of goods to the other, and that each should furnish financial support to such agencies. The Austrian Credit Institution for Public Enterprise and Works (a small semiofficial bank owned by the State) and the Clearing Office of the Austrian Cooperative Associations were designated by Austria as the corporations to carry out her part of the agreement. The Hungarian Institute for Foreign Trade and the Hungarian Agricultural Export Institute were designated by Hungary. These corporations were ostensibly private in character, but were in fact subject to considerable governmental influence. The four corporations set up a bureau for the promotion of trade between the two countries, vesting all administrative control therein. The bureau was administered by a committee of four, two appointed by the Austrian and two by the Hungarian Government.

Incorporated in the commercial treaty between Austria and Hungary was an agreement between the Austrian and Hungarian corporations, setting forth, among other things, that the function of the bureau was "to establish a credit organization for exports * * * handling credits for the exporters of both countries at moderate conditions against freight or depot vouchers (bills of lading, receipts, freight letters, warrants) or by other transactions of every kind." In this agreement between private corporations it was also set forth that the credits for the exporters of both countries were to be supplied by contributions furnished by state subsidies, and possibly other sources. The total amount of the contributions was indicated as about 21,200,000 schillings or 17,000,000 pengo (\$2,973,000) plus a sum of money resulting from the trade in grain and milling of grain amounting to about 8,800,000 schillings or 7,000,000 pengo (\$1,224,300). The agreement provided further that financial assistance to exporters should be authorized only in the measure "in which the total value of the commodities which were exported from Austria to Hungary and which participate in the privileges which have been fixed in mutual agreement, reaches the total value of the commodities exported within the same period of time from Hungary to Austria."

Most of the aid to be extended to exports was nominally in the form of credit facilities, which consisted either in extending to exporters an export financing credit at a moderate rate of interest or else in reimbursing them for a certain part of the interest which they had to pay for private bank loans. Each Government would refund to exporters the difference between the cost of a private bank credit and the official bank rate minus $3\frac{1}{2}$ percent; this difference was estimated at about 5 or 6 percent per annum. Thus the two contracting Governments, working through the medium of corporations that nominally were private, were engaged in an exchange of export aid, the net result being what amounted to reciprocal tariff preferences.

In the actual administration of the scheme it has been pointed out that the refunds paid to the exporters apparently were not made directly dependent upon the difference between the cost of private bank credits and the official-minus- $3\frac{1}{2}$ percent bank rate, but rather that they varied with the commodity and with the duty levied upon it in the other country. Whether by coincidence or otherwise, it is a fact, for example, that on hogs the Hungarian exporter received a premium in pengo which was equivalent to 27 gold crowns, or exactly the difference between the previous Austrian import duty of 18 gold crowns and the new one of 45 gold crowns on ex-contingent hogs. Similarly, the premium on lard was said to amount, in pengo, to a sum equivalent to the difference between the previous autonomous duty of 10 gold crowns and the new one of 30 gold crowns.

The Austro-Hungarian treaty was intended as a model for others to be concluded in establishing a system of regional preferences. But in actual practice, owing to exchange restrictions, the treaty was found to be of much less importance than had been anticipated originally. With the development of the financial crisis in the latter half of 1931, both countries so restricted the allocation of exchange to persons within their borders desiring to pay for imported goods that the scheme became more or less impotent. The treaty was denounced by Austria, effective July 15, and after August 5 was followed by several temporary arrangements in succession until January 1, 1933, at which time a new treaty came into force. A preferential duty of 3.2 gold crowns per quintal (17.5 cents a bushel) was granted on an annual quota of 50,000 metric tons (1,840,000 bushels) of Hungarian wheat, subject to the approval of countries having most-favored-nation agreements with Austria (same as treaty between Austria and Yugoslavia). Mutual assistance to exporters in the form of

special freight rates and credit facilities was continued subject to some curtailment. In addition a very important limitation was set upon the volume of Hungarian imports into Austria by the provision that their total value for 1933 should not exceed one and one half times the value of Austrian exports to Hungary. During 1929-32 the ratio had been about 2 to 1.

A most-favored-nation commercial treaty between Germany and Hungary was signed on July 18, 1931, and went into effect subject to certain exceptions on December 28, 1931. In addition to the usual guaranties of treatment for her exports equal to that given to other nations, Hungary received special trade preferences for her exports of wheat, barley, corn, hogs, and beef cattle. On wheat the advantage granted was in the nature of a tariff preference, while on beef cattle and hogs it was in the nature of a special import quota to Hungary guaranteeing a definite market for a certain quantity of her exports. An annual import quota during 1931-32 of 6,000 head of cattle for slaughter, to be increased to 7,000 head the following year if more than 90 percent of any year's quota was used, was granted to Hungary. The conventional rate of 16 reichsmarks per 100 kilos (\$1.73 per 100 pounds) was granted by Germany on this quota. Hungary also obtained an annual import contingent to Germany of 80,000 head of hogs, the proviso being made that they were to be used in sausage factories and meat-packing plants and were not to come on the open market in Germany.

The tariff preference granted to Hungarian wheat was made contingent upon acquiescence by other countries having most-favored-nation treaties with Germany, since it would be in direct violation of such treaties. The rate charged on Hungarian wheat was to be 25 percent less than the autonomous rate. With the German autonomous rate at 25 reichsmarks per 100 kilos (\$1.62 a bushel) the rate on Hungarian wheat amounted to 18.75 reichsmarks per 100 kilos (\$1.21 a bushel)—a preference of 41 cents a bushel. Under the treaty Germany reserved the right to extend a similar preference on wheat to Bulgaria, Rumania, or Yugoslavia. Moreover, shipments of Hungarian wheat under the proposed preferential rate could not exceed the shipments of the previous 4 years. But, although most of the countries having most-favored-nation treaties with Germany waived their right to this preference, some did not, so that the preference on wheat did not go into effect with the remainder of the treaty. This was still the situation up to July 1932.

In November 1931 Hungary concluded with France an accord whereby she was to secure what amounted to a tariff preference on Hungarian wheat entering the French market. The accord provided for acceptance by France of the general principle of preference to Hungarian wheat and, for a period of 1 year after the preference becomes effective, a maximum reduction of 30 percent below the French minimum duty for a quantity of wheat not exceeding 10 percent of the total annual French imports. Actually, Hungarian wheat was to pay the minimum French duties without any reduction as it entered France. But the French Government, after verification, was to place at the disposal of the Hungarian Government a rebate to be paid to exporters or their organizations. The amount of the rebate, expressed as a certain sum per quintal, was to be determined by agreement between the French and the Hungarian Governments, but was not to exceed 30 percent of the French minimum duty. On the basis of the existing French minimum duty of 85 cents a bushel, this was equivalent to a preference of about 25 cents a bushel. The preference became effective at the end of July 1932. Similar preferences had earlier become effective between France and Yugoslavia and between France and Rumania. (See Rumania and Yugoslavia.)

On March 7, 1932, Hungary concluded an "export agreement" with Italy for stimulating the exchange of commodities between the two countries. Although not containing special preferences for Hungarian agricultural products, the agreement contained features that are worthy of note. Railway rates between the two countries were to be adjusted from time to time so as to meet the competition of nearby foreign exporters who enjoy the advantage of smaller freight costs. The adjustments were to be proposed and carried out by a tariff council representative of Italy and Hungary. In addition, an international joint-stock company was to be set up to furnish credit to exporters of the two countries on favorable terms. These arrangements were similar to those recently abandoned between Austria and Hungary, but they had not, up to June 1932, attained the same significance in the way of tariff preference as did the Austro-Hungarian arrangement while it was in effect.

7. *Aids to the hog industry.*—It is noteworthy that in the negotiation of preferences during the last 2 or 3 years chief emphasis has been placed by Hungary on cereals and hogs. As has been noted above in connection with aid to cereals, international negotiations form one element in a general plan of aid. The same may be said concerning the hog industry. Between the years 1919 and 1929 in addition to the negotiation of commercial treaties, etc., in favor of the pork industry, the Hungarian Government endeavored to promote the marketing of hogs and hog products by granting shipping privileges (reduction of freight rates, special transit facilities, etc.) at home and arranging similar facilities abroad; by reducing or suspending taxes; by creating a farmers' livestock marketing and exporting cooperative, organizing an export institute with a special livestock bureau, and instituting a regular market information service; by standardizing pork and pork products and creating a national trade mark of excellence; by reducing the duties on feed corn whenever internal corn prices were too high; and by establishing Government-controlled feeding and packing plants to extend feeding and marketing credits to farmers.

The measures employed by the Government from 1930 to 1932 were similar to those developed in the earlier period, with the exception that in 1931 the Government also engaged in stabilization purchases. Following the break-off in December 1930 of commercial relationships between Hungary and Czechoslovakia (which comprises one of the most important outlets for the Hungarian hog industry) the Hungarian hog markets developed a very weak tone. In March 1931 a collapse of the market appeared imminent. As a consequence, from March to May 1931 the Hungarian Government, together with the municipal government of Budapest, made important live-hog purchases on the Budapest market. Purchasing was done through the municipal pork factories and the products were sold at relatively low prices to the poorer element of the population. It is said that the stabilization purchases prevented a serious decrease in hog prices.

In order to encourage exports of pork products the Hungarian Government in February 1932 issued a decree providing for an aggregate refund of all taxes on exported pork products, effective from December 1, 1931. The following schedule of refunds was observed: On sausages, pork, bacon, ham, smoked pork meat, or pork meat processed in any other way, 4 percent; on fat sides and pork lard, melted or nonmelted, 5.2 percent of their value.

8. *Credit aids.*—By enabling farmers to control the flow of their produce to market, financial aid to agriculture may in effect become a price-supporting measure. In Hungary, as in other Danubian countries, where transportation difficulties often produce local scarcities, this is particularly true. Therefore a brief review of financial measures recently undertaken in Hungary is here included.

In the spring of 1930 there was appointed a so-called "Committee of Five" having power to help farmers in financial difficulties by permitting "liquidation either in the form of parceling of a part of the land, or through the changing of the liabilities into long-term mortgage loans." This committee was superseded by the National Committee for Land-Mortgage Adjustments in April 1931. The land debt adjustment act of 1931 was passed on April 20 of that year. Three decrees followed during the period from October 16, 1931, to October 30, 1932. The first of these, dated October 16, 1931, reduced the maximum legal interest rate to 12 percent and instituted a moratorium on farm mortgages by prohibiting the sale at auction of the property of insolvent farmers who could not make payment because of the frozen condition of their assets. The second decree, dated July 9, 1932, made more liberal application of the moratorium by extending it to small farmers even though their liabilities might exceed their assets.

The third decree, issued on October 30, 1932, served to prolong the moratorium which was to have expired in October 1932, and brought together the provisions of all previous decrees. Under this decree all legal steps for the collection of the debts of farmers whose income is derived mainly from their farms are suspended under the following circumstances: (1) In the case of holdings less than 50 yokes (71 acres)—(a) where the cadastral net income⁴ is less than 15 crowns per yoke (\$2.14 per acre), legal proceedings are not permitted if the

⁴ Cadastral income is a theoretical value used as the basis for taxation; during 1930–31 it was estimated that it was equal to about one fourth the actual income.

debt is greater than 15 times the cadastral income; or (b) where the cadastral income is over 15 crowns per yoke (\$2.14 per acre), suspension becomes effective if the debt exceeds 225 pengo per yoke (\$27.60 per acre, at par). (2) For holdings larger than 50 yokes (71 acres)—(a) in the case of cadastral incomes under 15 crowns per yoke, legal proceedings are not permitted if the debt is over 20 times as large as the income, or (b) in the case of incomes exceeding 15 crowns, if the debt is over 300 pengo per yoke (\$36.80 per acre).

ITALY

In agriculture, as in other branches of economic activity, the policy of the present (Fascist) Government of Italy is one of active intervention. Indeed, its agrarian policy has been one of the most prominent features in the economic program of the present regime. This policy has been manifested in many directions, but the most striking features have been (1) promotion of improvement and expansion of agriculture through the launching of, or active support of, projects for land reclamation and utilization, and (2) artificial support of domestic prices of farm products through restriction of imports. Especially has it been sought to increase wheat production, the so-called "battle of wheat" being one of the more spectacular features of the present program.

1. *Land improvement and reclamation.*—In order to bring under cultivation the potentially arable land of the country and to improve land the productivity of which has been impaired by defective irrigation, lack of roads, or other material and social causes, the Fascist Government during the past decade has promoted far-reaching land improvement and reclamation projects. These projects include irrigation, drainage, regulation of rivers and streams, the construction of farm buildings and the establishment of villages in connection with colonization activities, road construction, rural electrification, the introduction of new cropping systems, etc. The first step in this program of land improvement and reclamation began with the issuance of the decree of December 30, 1923. This decree authorized the Government to put through necessary hydraulic improvements either directly or by giving concessions to private firms or to groups of farmers (cooperatives, syndicates, consortia, etc.) that would undertake such works. All projects were to have liberal Government support. The decree emphasized that the intent of the Government was not only to eliminate all swampy land from Italy but in addition to remove all obstacles to an increase in agricultural productivity. The second step in the program was embodied in a decree issued on May 18, 1924. This decree extended the authority of the Government to the field of land utilization by authorizing the State to take a direct hand in all cases where land was not being satisfactorily utilized for agricultural production. The third and final step in the program was contained in the decree of December 24, 1928 (the so-called "Mussolini Act"), in which the Government fixed the amount of Government funds to be allotted each year to various land reclamation and utilization projects beginning in 1929.

The three decrees above mentioned constitute the basic enabling legislation whereby the Fascist Government has been able to initiate far-reaching land utilization and reclamation projects in furtherance of its ultimate objective of agricultural self-sufficiency for the nation. A large number of decrees, laws, and regulations have been enacted under the authority of these decrees with a view to realizing the fulfillment of this program. Generally speaking, the policy of the Government in regard to land improvement and reclamation embraces two distinct phases: (a) Changing the agricultural structure of an entire region through works undertaken by the Government or by the Government and the community jointly, and (b) stimulating and aiding the individual farmer in adopting modern scientific practices so as to increase yields per acre. The agriculturists of Italy have responded with enthusiasm to the initiative taken by the Government in these two directions. A brief discussion of both of these phases will be given in the following paragraphs:

Under the first phase of this policy the Government has embarked upon a number of projects either upon its own initiative (i.e., the State undertaking the whole work and expense), or upon a desire expressed by the majority of farmers in a specified region (i.e., the work being done by cooperative or private enterprise with State assistance). In financing these projects the Government either bears the entire cost, as in the case of various hydraulic works, river regulation, power stations, and electrification, or only a part of the cost, as in the case of irrigation, drainage, drinking-water supply, farm-road building, farm-building activities, etc. The latter projects are supposed

to be undertaken by the farmers themselves after having organized themselves into so-called "consortia". The exact proportion of the expenses borne by the Government in the latter instances varies according to the nature and location of the project. For farm-road construction in southern Italy, Sicily, and Sardinia it reaches 87.5 percent of the funds required. The farmers themselves are obliged to defray the balance of such expenses. In general the contributions of farmers do not represent more than about one third of the total cost. For some of the consortia organized by farmers for these purposes the Government guarantees the capital and the payment of interest on bonds issued by them and contributes funds to cover their initial functioning. The land reclamation and other projects undertaken by the groups of farmers organized for that purpose have been especially successful, due not only to the financial assistance rendered by the Government but also to the fact that the work is done by people who actually intend to make use of the reclaimed land.

The second phase of the Fascist agrarian objective, namely agricultural self-sufficiency for the nation, involves the idea of compulsory farming and direct Government interference with private farm management. While the Government has not as yet gone so far as to prescribe for the entire nation the areas to be devoted to any specified crop or the number of livestock to be kept, it has taken an emphatic stand in regard to arable land that remains uncultivated and in regard to cultivated land that is not producing a reasonable yield per acre. For instance, keeping land for pastures which, in the opinion of the Government, should either be sown to wheat or planted with truck crops to supply the requirements of a nearby city, is considered inefficient utilization. Liberal agricultural credits are extended to the owners of such land in order that they may alter their land utilization to serve the best interests of the nation. According to the Fascist philosophy landowners who do not abide by their duty to the nation by attempting to make their land more productive lose their title to the land. The Government has adopted two effective methods for assuring that all farmers should increase the productivity of their lands: (a) Transfer of management activities to consortia without actual expropriation and (b) direct expropriation.

Under the first procedure the prefects of the various Provinces are simply authorized to take over all lands upon which the owners seem to be reluctant to apply the policies laid down by the Government. In such instances the lands are turned over to a farming consortium for a period of 9 years during which period they will be managed according to the intentions of the Government. In many instances such consortia are formed among the farm workers and tenants who operate the land in a manner somewhat similar to that of collective farming in Russia. The law also provides that agricultural colleges may take over the management of such land. In all instances of these kinds the owners are excluded from the management of the land, but they receive an annual rental either in money or in kind.

The second procedure adopted for guaranteeing that the land is utilized in accordance with the Fascist program is direct expropriation. There exists in Italy a national war veterans' welfare organization (*Opera Nazionale per i Combattenti*) which was founded in 1919 and to which property confiscated during the World War was assigned for administration. By special legislation in 1926 and 1927 this organization was charged with the administration of certain land-improvement schemes. In addition, all agricultural land settlement projects were made its primary field of activity. If farmers do not adopt the Fascist land-utilization program the Opera is entitled to demand expropriation of such lands which then become the property of the Opera. In the event of actual expropriation the original owner is given an indemnity that is supposed to represent the actual value of the land. Boards of appraisal have been set up in the various districts to determine the value of the properties of delinquent owners, based on the unimproved value of the land. At these prices the Government may buy the land, paying for it in annual installments, and may immediately resell it to the Opera or to individuals prepared to improve it, at the same price and terms.

In actual operation the legislation has had the effect of forcing many landowners to sell their property to consortia before any action aiming at expropriation could be taken. In most instances farms assigned to the Opera have been subdivided for settlement purposes. This has been particularly true of the land expropriated in the vicinity of large cities where colonists have taken up horticulture and truck farming. In the aggregate it can be said that the general activities of the Opera in connection with land improvement

and colonization represent a complete policy of agrarian reform because of the combination of agricultural and social factors involved.

The land utilization and improvement activities of the Fascist government very plainly indicate that the general policy is toward the establishment of family farming. In the earlier efforts toward land improvement the interests of the large landowners, who are the proprietors of most of the land subject to reclamation and improvement schemes, were carefully protected. In later efforts the large landowners have not received the same official consideration and support. The establishment of family-sized farms necessitates larger State expenditures in connection with the desired increase in production than would be necessary for the improvement of large-scale farming. However, special assistance to family-sized farms is a consideration in the objective of the Fascist national policy to attain a larger population.

As already indicated, the final step in the Fascist program for land reclamation and utilization was embodied in the so-called "Mussolini Act" of December 24, 1928, which fixed the Government funds to be invested in projects of that nature beginning in 1929. The financial provisions made in the Mussolini Act have subsequently been changed several times. The Mussolini Act provided for the total expenditure over a period of years of from 7,000,000,000 to 8,000,000,000 lire, (\$368,200,000 to \$420,000,000 at par), for land improvement projects. It was later found that this was entirely insufficient to put into effect all of the proposed improvement schemes and that from 70,000,000,000 to 100,000,000,000 lire (\$3,682,000,000 to \$5,260,000,000) would have to be spent. It is now officially estimated that the minimum Government expenditures for these purposes during the 15 years beginning 1929 will be 30,000,000,000 lire (\$1,578,000,000). During the 4 years 1929 to 1932, the Government invested 2,738.2 million lire (\$144,029,000) in such projects. Of that amount 829.9 million lire (\$43,653,000) represented the amount of subsidy to land improvement schemes made by farmers privately on their own farms. The statistics do not include the contributions made by the farmers themselves with the aid of credit obtained from agricultural credit banks. In other words, the total amount expended for agricultural improvements by the Government and by private initiative in the aggregate is considerably higher than the figures above given. Moreover, the total expenditure by the Government itself is also larger than the amounts given since the Government supports the so-called "private initiative enterprises" by paying a part of the interest due on credits obtained by the farmers for those purposes from agricultural credit organizations. Moreover, in some instances the Government exempts farmers from paying taxes or reduces them materially.

Such funds as are not furnished by the Government itself for the various reclamation projects are obtained either by the private contributions of the individual farmers or by the sale of bonds by groups of farmers (consortia) to the general public. Besides the regular agricultural credit banks, which supply long-term credits, the National Office for Social Insurance, the National Insurance Institute, and the savings banks have in the aggregate pledged themselves to reserve a total of 450,000,000 lire (\$23,670,000) annually for a period of 10 years for financing the general land-improvement schemes. These special credits are distributed through the National Association of Consortia for Land Improvement.

Detailed statistical data showing the extent of the uncultivated areas brought under cultivation as a result of the Government's land reclamation project, or of the extent of the previously cultivated areas that have been improved by such projects, are not available. So far as agricultural productivity in general is concerned, the various projects carried out since 1923 have undoubtedly contributed toward increasing the national output. This is particularly true of wheat. It is believed, moreover, that the main results of the Fascist reclamation and land-utilization program will not be felt for some years to come. In section 2 (Government aid to the wheat growers) which follows, a more detailed discussion will be given of the application and effect of the general land improvement and reclamation projects upon wheat production.

2. *Government aid to the wheat growers.*—Until quite recently the activities of the Government in connection with wheat have been devoted mainly to improving the technique of cultivation so as to increase the yield per acre to a point where the country will be self-sufficing without expanding the area of land devoted to wheat production. During recent years supplementary legislation has been adopted with a view to maintaining prices for domestic wheat

by protecting the grower against foreign competition. Outstanding among the latter measures are the tariff of \$1.07 a bushel and a law requiring the compulsory utilization of a specified percentage of domestic wheat in all flour manufactured for consumption in Italy. Government intervention on behalf of wheat growers in Italy will, therefore, be treated under two subheadings: (a) The so-called "wheat campaign" and (b) legislative enactments designed to maintain prices, i.e., tariffs and mixing regulations.

(a) *The wheat campaign.*—The campaign to make Italy self-sufficing in regard to wheat was launched by royal decree promulgated on July 4, 1925. This decree set up a controlling body known as the "Permanent Wheat Committee", the duties of which were to study and submit proposals to the Government as to the means to be adopted for increasing the wheat production of the country and thereby make Italy independent so far as possible of foreign wheat. It was definitely announced, however, that the attainment of this objective should not involve an increase in the area that was sown to wheat in 1924 (i.e., 11,308,000 acres). The activities of the wheat commission, therefore, were limited mainly to such problems as seed selection, fertilization, improvements in the technique of production with a view to increasing the yield per acre, and stabilization of prices. The commission, of which Signor Mussolini is president, and the Minister of Agriculture and Forests vice president, is representative of farmers, farm workers, and agricultural experts. It is assisted by 92 provincial committees, each representative of local agricultural interests. The commission began its work in July 1925, and within a few weeks brought out a series of far-reaching proposals that have subsequently formed the basis of legislation.

The immediate events which gave rise to the wheat campaign were the short wheat crop in Italy in 1924 and the large part that foreign wheat imports contributed to an adverse trade balance and the depreciation of the lira in 1925. A determined resolve was made to improve wheat production in Italy and to become less dependent upon foreign supplies for this leading and staple item in the Italian diet. The strategic significance in the event of war of being self-sufficing was likewise a consideration. Agricultural leaders were convinced, moreover, that agricultural methods could be improved, that yields of wheat could be increased, and that an organized program of legislation, scientific research, and extension work would prove extremely fruitful.

The present total annual requirements (for food and for feed) of wheat in Italy run in the neighborhood of 300,000,000 bushels. The domestic crop has always been below consumption needs. During the 5 years 1927–28 to 1931–32, when the Italian production averaged 227,877,000 bushels annually, the net imports of wheat and wheat flour averaged 67,408,000 bushels annually. In a recent analysis of the Italian wheat situation the Minister of Agriculture and Forests pointed out that if account is taken of the annual population increase without regard to any increase in per capita consumption, the total amount of wheat needed to supply domestic requirements would reach 330,000,000 bushels by 1940, and approximately 367,000,000 bushels by 1950.

These statistics are significant in relation to their effect on the trade balance of the country. During the 4 years, 1927–30 (the latest for which complete details are available), the total value of the Italian imports of all commodities for consumption averaged \$1,069,000,000 annually while the value of the exports of Italian products averaged only \$759,000,000 annually, leaving an adverse balance of \$310,000,000 annually. Since the annual value of the imports of wheat during these 4 years averaged \$120,784,000, it can be seen that the deficit in the Italian trade balance could be reduced materially if it were possible to produce in Italy all of the wheat required for home needs without at the same time altering the production of other farm commodities.

As already indicated, all of the activities of the campaign are supervised and directed by the permanent wheat committee. This committee functions through provincial wheat commissions established in each of the 92 Provinces of the Kingdom. The practical activities of the provincial commissions include the operation of demonstration farms; distribution of selected seeds; technical and practical instruction on agricultural methods; the efficient application of fertilizers of high concentration; conducting wheat-growing contests among farmers; the introduction of modern farm machinery; introduction of appropriate rotation schemes (which render the wheat campaign increasingly a campaign for general improvement in agriculture); public lectures, traveling exhibits, and finally, an annual "wheat victory competition" conducted by the

wheat commission. In connection with the vast program of the "wheat battle" the Government has erected an experimental mill and bakery in which experts are analyzing the milling and baking qualities of the various wheats grown in Italy and are endeavoring to find suitable mixtures of home grown varieties for milling and baking.

The success that has accompanied the wheat campaign during the 7 years of its existence may be judged by the fact that although the acreage under wheat has remained fairly constant the average yield for 1925-32 was 12.42 quintals per hectare (18.1 bushels per acre) while for the period 1909-14 it was 10.4 quintals per hectare (15.2 bushels per acre). The results of the campaign have not been confined to increased wheat yields but include better agricultural practices and fuller utilization of the agricultural resources of the country.

(b) *Tariffs and mixing regulations.*—Italian farmers, in common with those in all other countries of the world, are suffering from the effects of the world agrarian crisis and the general economic depression. Since wheat growing is the outstanding agricultural enterprise of the nation the Government has been particularly active in behalf of the domestic producer of that crop. In order to protect the Italian wheat grower from foreign competition the duty on wheat was steadily increased from 39 cents per bushel in July 1925 to 87 cents per bushel in June 1930. Even this high duty, however, was not deemed sufficient protection to the domestic wheat industry. Accordingly, on June 10, 1931, the Government enacted a law obligating millers to utilize fixed minimum percentages of home-grown wheat in the milling of bread flour. To further strengthen the position of the domestic wheat grower the duty on wheat was increase to \$1.07 per bushel (at par) in August 1931, where it stands at the present time (May 1, 1933).

The wheat-mixing law of June 10, 1931, above referred to, authorized the ministry of agriculture and forestry to determine and make compulsory by decree at any time deemed necessary, the percentage of home-grown wheat to be used by domestic millers in manufacturing wheat flour and semolina to be consumed in Italy. Products destined for the export trade were exempted from the application of this law. In accordance with this order a ministerial decree was issued effective June 17, 1931, requiring that until further notice not less than 95 percent home-grown wheat must be used in all flour made for consumption in Italy, leaving a quota of only 5 percent for imported wheat. The main reason for the sweeping curtailment of imports of foreign wheat was to facilitate the marketing of the large 1930 crop.

Ultimately, however, the Government found it necessary to modify the milling regulation so as to enable millers to use a large percentage of imported durum wheat in their mixtures, but continued for a time to limit imports of bread wheat to 5 percent of total requirements. Farmers in Italy, encouraged by the previous high-milling quota for domestic wheat, had withheld their wheat from the market in the hope of forcing millers to pay higher prices. As a result there was an actual shortage of wheat, particularly of durum wheat, of which Italy produces only about two thirds of her requirements, her domestic crop being chiefly bread wheat.

To meet this difficulty the Government, on November 1, 1931, revised the milling quota so as to enable millers to use 25 percent imported durum wheat in their milling. This percentage was increased on January 1, 1932, so as to allow the use of 50 percent of imported durum wheat in milling. During this time the fixed percentages for bread wheat remained unchanged at 95 percent domestic and 5 percent foreign. However, when the percentage of foreign durum wheat which could be used was increased to 80 percent on February 1, 1932, the percentage of foreign bread wheat was increased to 30 percent.

Bread wheat is chiefly produced in northern and central Italy, although there is also some production in southern Italy. The production of durum wheat is practically limited to the islands of Sicily, Sardinia, and to parts of Basilicata, Calabria, Puglia, Abruzzi, Milese, and Lazio, all of which are in southern Italy. Of these, Sicily is by far the most important producer. Because of the regional distribution of the bread and durum wheat-producing areas the Government since March 1, 1932, has fixed different milling quotas for northern and southern Italy.

The following tabulation gives in chronological order the changes in the milling ratios from June 17, 1931, to April 16, 1933:

Italy: Fixed minimum mixing percentages for domestic wheat

Period	Bread wheat		Durum wheat	
	Mini- mum domes- tic re- quired	Maxi- mum foreign per- mitted	Mini- mum domes- tic re- quired	Maxi- mum foreign per- mitted
All Italy and the Islands:	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
June 17 to Oct. 31, 1931.....	95	5	95	5
Nov. 1 to Dec. 31, 1931.....	95	5	75	25
Jan. 1 to Jan. 31, 1932.....	95	5	50	50
Feb. 1 to Feb. 29, 1932.....	70	30	20	80
Northern and central Italy: ¹				
Mar. 1 to Mar. 20, 1932.....	60	40	20	80
Mar. 21 to Apr. 25, 1932.....	50	50	20	80
Apr. 26 to May 22, 1932.....	40	60	10	90
May 23 to July 14, 1932.....	25	75	5	95
July 15 to Dec. 31, 1932.....	95	5	70	30
Jan. 1 to Mar. 15, 1933.....	95	5	60	40
Mar. 16, 1933 to —.....	95	5	95	5
Southern Italy and Latium:				
Mar. 1 to Mar. 20, 1932.....	40	60	20	80
Mar. 21 to Apr. 25, 1932.....	30	70	20	80
Apr. 26 to May 22, 1932.....	15	85	15	85
May 23 to July 6, 1932.....	5	95	10	90
July 7 to Dec. 31, 1932.....	95	5	95	5
Jan. 1 to Mar. 15, 1933.....	80	20	90	10
Mar. 16 to Mar. 31, 1933.....	80	20	95	5
Apr. 1 to Apr. 15, 1933.....	² 90	² 10	95	5
Apr. 16, 1933 to —.....	95	5	95	5
Sicily:				
Mar. 1 to Mar. 20, 1932.....	40	60	20	80
Mar. 21 to Apr. 25, 1932.....	30	70	20	80
Apr. 26 to May 22, 1932.....	15	85	15	85
May 23 to June 26, 1932.....	(³)	(³)	15	85
June 27 to July 6, 1932.....	70	30	15	85
July 7 to Dec. 31, 1932.....	70	30	95	5
Jan. 1 to Apr. 15, 1933.....	60	40	95	5
Apr. 16, 1933 —.....	95	5	95	5
Sardinia:				
Mar. 1 to Mar. 20, 1932.....	40	60	20	80
Mar. 21 to Apr. 25, 1932.....	30	70	20	80
Apr. 26 to May 22, 1932.....	15	85	15	85
May 23 to June 26, 1932.....	(³)	(³)	10	90
June 27 to Dec. 31, 1932.....	95	5	10	90
July 7 to Dec. 31, 1932.....	95	5	95	5
Jan. 1 to Apr. 15, 1933.....	60	40	95	5
Apr. 16, 1933 to —.....	95	5	95	5

¹ Exclusive of the "compartment" of Latium.

² In Latium, which is a comparatively thickly populated region, 95 percent domestic bread wheat had to be used during this period leaving a permissible maximum of only 5 percent foreign bread wheat for that region.

³ Exemption from the compulsory use of domestic bread wheat prevailed during this period.

In connection with the establishment of the mixing regulations by the law of June 10, 1931, the Government found it necessary to issue supplementary regulations on September 24, 1931, according to which stocks of foreign wheat must be declared on specified dates. This law also provided that all purchases and sales of foreign wheat must be declared on the 1st and the 16th of each month. A rigid control was also provided by this decree in regard to wheat transactions of mills that manufacture flour for exportation, to which, as previously mentioned, the compulsory mixing regulations do not apply. As a further measure of protection to the domestic wheat and flour milling industry the Government, by a decree of February 6, 1932, announced that all foreign flour sold in Italy must correspond to the flour types established for domestic flour.

3. *Government subsidized wheat storage.*—By a law of May 30, 1932, the Government has attempted to prevent the usual gluts of wheat on the domestic market immediately after the harvest by the creation of a network of storage facilities, the purpose of which will be to facilitate price stabilization, particularly at times when large domestic supplies threaten to depress prices. Another reason for the establishment of a chain of grain elevators is to ensure an even supply of domestic wheat throughout the season so that the compulsory mixing

ratios need not be changed so frequently. The Government itself will subsidize the erection of these elevators to the extent of 25 percent of their total cost. In addition the Government will contribute substantially to the interest that must be paid on credits taken up for the erection of the elevators.

This law also provides for the formation of producer cooperatives for wheat storage. In fact, the Government is authorized to order the compulsory formation of wheat storage cooperatives. Any voluntary or compulsory cooperative storage society formed under the law is subject to the permanent supervision of the Government. In both cases the growers have to raise the funds for the erection of the storage houses but they receive the above-mentioned financial support from the Government. In the case of a compulsory cooperative all of the wheat growers in the region must become members and are obliged to pay the contributions. These storage cooperatives can stock wheat only for their members. If organized as general warehouse companies they can stock on behalf of third parties. The storage certificates issued by the cooperatives are negotiable and may be used to obtain advances from credit institutions.

It was realized that the above legislation could have no great influence in storing and marketing the 1932-33 crop. For that reason the Government arranged for special credits and subsidies to finance the 1932 crop in order to prevent a market glut and low prices. Under this plan all wheat growers who either deliver or contract to deliver wheat to the Provincial Fascist Farmers Federation or to the Agricultural Consortia (see Italian Agrarian Policy) for cooperative sale, receive an advance of 100 lire per quintal (\$1.43 per bushel) for durum wheat and 90 lire per quintal (\$1.29 per bushel) for bread wheat. Farmers who prefer to store their wheat on the farm and sell it directly receive an advance of 70 to 80 lire per quintal (\$1 to \$1.15 per bushel). This indicates clearly that the Government is laying special stress on the promotion of cooperative sale. The interest rate charged for these advances varies with the region from 4.5 to 5.5 percent. A subsequent law provides, however, that the Government may grant as a straight subsidy up to 4 percent of the interest on the advances received from the federations, consortia, or agricultural sales cooperatives. The official and semiofficial credit institutions have reserved funds sufficient to make advances on about 20,000,000 bushels of wheat, but funds have also been reserved for the same purpose by the so-called "ordinary" credit institutions (probably private banks).

4. *Tariffs.*—While the Italian tariff policy has been more or less sympathetic toward the reduction of tariff barriers the tendency has been to adopt at least temporarily all necessary measures for the immediate protection of national interests. Italy is a large purchaser of combustibles and raw materials and advantage is taken of that fact in tariff negotiations in order to guarantee markets for Italian exports. For that reason Italian protective measures in recent years have followed rather than preceded similar steps in other countries. The Government of Italy does not follow either a rigidly protective or free-trade policy but adapts its customs tariffs to circumstances as they arise.

There have been no general upward revisions in the Italian tariff on agricultural products since 1921; but the duties on a long list of agricultural products, have been greatly increased from time to time. Various agricultural associations in Italy, moreover, are demanding increased protection for farm products, especially for livestock, livestock products, grain and grain products. Significant among the agricultural tariff increases in recent years have been those on wheat. Although Italy produces between 200 and 250 million bushels of wheat per annum, she also imports some 50 to 100 million bushels. From January 31, 1915, to July 24, 1925, wheat was free of duty. In July 1925, a duty of 7.50 gold lire per 100 kilos (39 cents per bushel) was imposed. In September 1928, the rate was increased to 11 gold lire (58 cents per bushel); in May 1929, to 14 gold lire (74 cents per bushel); in June 1930, to 16.5 gold lire (87 cents per bushel); and in August 1931, to 75 paper lire (\$1.07 per bushel). The duty on wheat flour has also been increased and now (June 1, 1933) stands at 112.35 paper lire, \$2.68 per 100 pounds at par.

On many other agricultural products there have also been tariff increases. To mention some of the more recent ones; on October 10, 1931, the tariff on rice was increased as follows: Rice in the husk, from 11 to 41 lire per quintal (\$0.26 to \$0.98 per 100 pounds); rice, partly husked, from 16.50 to 50 lire per quintal (\$0.39 to \$1.19 per 100 pounds); and cleaned rice and rice flour, from 23.90 to 60 lire per quintal (\$0.57 to \$1.43 per 100 pounds). The new tariff rates were expected to curtail imports of foreign rice very materially and thus raise the domestic price level for the home-grown product. Large

increases in the duties were also made during 1931 on frozen meat, rye, rye flour, corn, raw cotton, and sugar. Moreover, an ad valorem surtax of 15 percent was imposed on goods imported from countries that do not have most-favored-nation agreements with Italy. Certain grain and grain products and certain fats and oils, however, were exempted from the payment of this surtax. In addition, early in 1932 a clearance tax of approximately 14 cents per short ton was placed on all foreign goods arriving at Italian ports.

On March 4, 1932, the duty on fresh butter was increased from 66.10 to 350 lire per 100 kilos (from 1.6 cents to 8 cents a pound at par). On salted butter the duty was increased from 88.10 to 378 lire per 100 kilos (from 2 cents to 9 cents a pound at par). Effective August 29, 1932; the Government materially increased the above-mentioned surtax for certain agricultural products, mainly meats, animal products, and vegetable oils. The Italian import duties on cattle, pigs, live poultry, prunes, and unspecified dried fruits, fresh meats, hams and bacon and other prepared meats, eggs and egg yolks, lard, oleo-margarine, and edible tallow, were materially increased on September 2, 1932. Effective October 27, 1932, the duties were increased on various oleaginous seeds and vegetable oils.

5. *Government aid to the livestock industry.*—The principle of an import quota based on a definite ratio of imports to domestic purchases has not been confined to wheat. An Italian decree which went into effect on January 1, 1932, provided that all municipal slaughter houses must regulate their weekly output of slaughtered animals so that at least 85 percent would be of domestic origin. The main purpose of this law was to raise prices on domestic livestock, and as already indicated under "Tariffs" this policy has been further supported by increased duties on livestock products.

Furthermore, on the basis of a decree dated February 2, 1932, the maximum quota of 15 head of imported foreign live cattle, which could be included with every 100 head of cattle slaughtered in domestic establishments, was also made applicable to all fresh, frozen, and chilled beef imported in halves or quarters. For the purpose of this law two halves or four quarters were considered as equalling one live animal without making allowance for entrails, etc. The effect of the decree was to assure that for every four quarters of beef imported into Italy, a specific amount of domestic beef would be marketed, the ratio being fixed at 85 percent domestic and 15 percent imported. A decree of August 30, 1932, however, suspended until further notice the above regulation.

The Government of Italy has long been interested in bringing about expansion in the domestic livestock industry. The main problem faced by livestock breeders in Italy is limited fodder production. Unscientific feeding practices are said to be responsible for the low production and for the high costs. The Government for several years has been encouraging increased livestock breeding by means of cash premiums or prizes to breeders. Moreover, a law of June 29, 1929, provides for Government subsidies to public breeding stations and for general extension work in animal husbandry. The law also provides that in provinces where there is not a sufficient number of approved bulls, the formation of consortia for keeping approved animals for reproduction can be ordered by the Government. In September 1931 the Ministry of Agriculture launched a 5-year livestock plan during which effort is to be concentrated on improved breeding practices. In general the official program for expanding the livestock industry applies not only to expansion in the production of meats but of wool and dairy products as well.

6. *Price fixing: rice.*—On October 2, 1931, the Italian Government inaugurated a price-maintenance plan for rice. A decree of that date establishes a national rice institution (Ente Nazionale Risi) with headquarters in Milan. According to the decree the purpose of this organization is to safeguard the interests of Italian rice cultivators and to facilitate distribution and consumption of rice. The decree provides for the control of rice production, distribution, and prices by a board consisting of rice growers, millers, traders, and a representative of the Government. This board is authorized to fix the minimum prices paid to growers for rough rice. All transactions between buyer and seller must be approved by the "Ente."

Although the "Ente" is authorized to fix minimum prices paid growers for the various descriptions of rice subsequent reports indicate that these have not been strictly enforced in respect to transactions for domestic consumption. While the "Ente" did not absolutely force buyers for the domestic market to pay the official minimum prices, it did enforce the payment of the minimum prices for all rice bought for export. The exporter has been obliged to prove to the "Ente" that he actually paid the fixed minimum prices to the grower as

the condition for receiving an export bounty. (See sec. 7, below.) Since an export bounty is paid on rice exports and since exporters are compelled to pay the minimum prices in order to secure the bounty, it was believed that the prices for rice destined for domestic consumption would follow rather closely the prices of rice to be exported.

The following tabulation gives the fixed minimum prices that were to be paid for rice from October 15, 1931, to September 15, 1932:

Italy: Minimum purchasing prices fixed by the Ente Nazionale Risi

[In lire per quintal] ¹

Periods	Originari and comuni	Mara-tello and precoce P6	Simifini (allorio)	Fini; Carolina (Vialone, Bertone, and Ostiglio)
1931:				
Oct. 15 to Nov. 14.....	70	74	78	86
Nov. 15 to Dec. 14.....	73	79	83	91
1931-32: Dec. 15 to Jan. 14.....	75	81	85	83
1932:				
Jan. 15 to Feb. 14.....	78	82	86	94
Feb. 15 to Mar. 14.....	79	83	87	95
Mar. 15 to Apr. 14.....	80	84	88	96
Apr. 15 to May 14.....	81	85	89	97
May 15 to June 14.....	82	86	90	98
June 15 to July 14.....	83	87	91	99
July 15 to Aug. 14.....	84	88	92	100
Aug. 15 to Sept. 15.....	85	89	93	101

¹ During the period Oct. 15 to Apr. 15, 1932, the exchange value of the lira fluctuated from 5.05 cents to 20 cents. The quintal is equivalent to 220.46 pounds.

The domestic prices of rice to be paid to growers by exporters for the 1932 crop of Italian rice were as follows:

Italy: Minimum purchase price fixed by the Ente Nazionale Risi

[In lire per quintal] ¹

Types of rice	Sept. 16 to Oct. 31	November	December
Originario and common qualities.....	73.00	75.00	77.00
Semifine quality (Allorio).....	77.00	79.00	81.00
Fine qualities: Vialone, Bertone, and Ostiglio.....	89.00	91.00	93.00

¹ On Sept. 16, 1932, the lira was worth 5.13 cents in United States currency. On Dec. 31, 1932, it was worth 5.12 cents.

7. *Export bounty, rice.*—The decree law of October 2, 1931, above referred to, provides that all contracts between rice growers and buyers, whether for the domestic or for the export trade, must be registered with the "Ente" and that a registration fee be paid by the buyer. This fee has been fixed at 14 lire per quintal (33 cents per 100 pounds) of paddy rice and must be borne by the buyer. In the event that the grower himself processes his own paddy he also must pay the 14 lire for each quintal processed. The sum established by this fee is used for the payment of a bounty on rice exports. The rice miller or dealer, of course, includes the amount of the fee payable to the "Ente" in his sales prices for cleaned rice, so that in the last analysis the Italian consumer himself must bear the burden of the bounty.

The fee of 14 lire per quintal (33 cents per 100 pounds) is collected by means of agencies which the "Ente" maintains in all of the important rice centers. Special police supervision has been provided in order to assure that no rice can be transported from the farm to the mill unless accompanied by a permit issued by the "Ente." In this way the "Ente" not only makes sure that all contracts are properly registered but also that the fee of 14 lire per quintal (33 cents per 100 pounds) is paid on all transactions. Theoretically, the entire Italian rice

crop, excepting the quantity retained for sowing, has to be sold by the grower. It has been estimated that on the basis of 1931 crop this would result in the accumulation of a fund by the "Ente" amounting to approximately 88,382,000 lire (\$4,649,000).

The export bounties from October 12, 1931, to January 15, 1932, were as follows:

Italy: Premiums paid on rice exports effective Oct. 12, 1931

[In lire per quintal] ¹

Rice	From Oct. 12 to Nov. 15	From Nov. 16 to Dec. 15	From Dec. 16 to Jan. 15
Paddy.....	24	29	31
Semifinished.....	30	36	38
Cleaned.....	38	45	48

¹ The lira on Oct. 12, 1931, was worth 5.17 cents in United States currency. On Jan. 15, 1932, the lira was worth 5.05 cents. The quintal is equivalent to 220.46 pounds.

New bounties became effective on January 16, 1932. In the new schedule the bounties were reduced on shipments to countries that took comparatively large quantities during previous months, and they were increased on shipments to countries where competition from other exporting countries, especially Brazil, had been so strong that efforts to market Italian rice had been unsatisfactory.

The old and new export premiums are given in the following tabulation:

Italy: Revised premiums paid on rice exports, effective Jan. 16, 1932

[In lire per quintal] ¹

For shipments to—	Cleaned		Brown		Paddy	
	Old	New	Old	New	Old	New
1. Austria, Hungary, Yugoslavia, Switzerland, and France, effective Feb. 1, 1932.....	48	40	38	32	31	26
2. Germany (goods forwarded by rail), Albania, Greece, Bulgaria, Rumania, Turkey, Syria, Palestine, Cyprus, Aegean Islands, Egypt, Libia, Eritrea, Somaliland, Malta, Czechoslovakia, Poland, and the United States, effective Feb. 1, 1932.....	48	45	38	32.50	31	29
3. South America, Canada, Algeria, Tunisia, Morocco, Portugal, Great Britain, Holland, Belgium, Germany (all goods forwarded by sea), Sweden, Norway, Denmark, Finland, Latvia, and Estonia, effective Jan. 1, 1932.....	48	55	38	43	31	35

¹ The lira on Jan. 16, 1932, was worth 5.06 cents in United States currency. The quintal is equivalent to 220.46 pounds.

The above-mentioned export premiums were reduced for all countries in March 1932. Reports indicate that on March 19, 1932, the following schedule of bounties was being paid.

Italy: Revised premiums on rice exports, effective Mar. 19, 1932

For shipment to—	Amount of bounty
1. Albania, Austria, Bulgaria, Cyprus, Italian Islands in Aegean Sea, Egypt, Eritrea, France, Greece, Yugoslavia, Libia, Malta, Palestine, Trieste, Fiume, Rumania, Syria, Somaliland, Switzerland, United States, Turkey, and Hungary:	<i>Lire per quintal</i> ¹
Cleaned rice, best milling grade.....	40.00
Cleaned rice, lower milling grade.....	37.25
Brown rice, slightly milled.....	34.25
Brown rice.....	32.00
Paddy rice.....	25.75

¹ The lira on Mar. 19, 1932, was worth 5.18 cents in United States currency. The quintal is equivalent to 220.46 pounds.

Italy: Revised premiums on rice exports, effective Mar. 19, 1932—Continued

For shipment to—	Amount of bounty
2. Algeria, Belgium, Czechoslovakia, Estonia, Germany, Latvia, Lithuania, Morocco, Holland, Poland, and Tunisia:	<i>Lire per quintal</i>
Cleaned rice, best milling grade.....	45.00
Cleaned rice, lower milling grade.....	42.00
Brown rice.....	36.00
Paddy rice.....	29.00
3. Canada, Mexico, South America, Denmark, Finland, Great Britain, Norway, Portugal, and Sweden:	
Cleaned rice, best milling grade.....	50.00
Cleaned rice, lower milling grade.....	46.40
Brown rice.....	40.00
Paddy rice.....	32.00

In order to promote export sales the "Ente" has taken special measures to guarantee satisfaction to foreign purchasers. A decree dated January 10, 1932, authorizes the "Ente" to examine all rice intended for the export market by means of samples. An organization known as the "National Export Institute" will be responsible for this inspection which will be made according to the instructions of the "Ente." No exports will be permitted unless accompanied by the official inspection certificate of this institute.

The export bounty for the new (1932) crop of Italian rice was subsequently fixed at slightly higher levels than those prevailing in March 1932. These new bounties were as follows:

Italy: Revised premiums on rice exports, effective Sept. 16, 1932

For shipment to—	Sept. 16 to Oct. 31	November	December
1. Austria, Eritrea, France, Hungary, Libia, Trieste, Fiume, Somaliland, Switzerland, The Free Zones of Garners and Zora, and all countries not mentioned in the second and third group below:	<i>Lire per quintal</i> ¹	<i>Lire per quintal</i> ¹	<i>Lier per quintal</i> ¹
Raw rice.....	26.00	28.00	30.00
Brown rice.....	33.70	36.20	38.70
Semiglazed.....	36.00	38.60	41.30
Mercantile worked.....	39.10	42.00	45.00
First-class worked.....	41.80	44.90	48.00
2. Belgium, Czechoslovakia, Denmark, Estonia, Finland, Germany, Yugoslavia, Lithuania, Latvia, Malta, Norway, Holland, Poland, Sweden, and Rumania:			
Raw rice.....	30.30	32.30	34.50
Brown rice.....	39.40	41.90	44.40
Mercantile worked.....	45.70	48.60	51.50
First-class worked.....	48.80	51.90	55.00
3. Albania, Algeria, the United States, Bulgaria, Cypress, Greece, England, The Dodecanese, Morocco, Palestine, Portugal, Syria, Tunisia, and Turkey:			
Raw rice.....	35.00	37.00	39.00
Brown rice.....	45.00	47.50	50.00
Mercantile worked.....	52.50	55.10	58.00
First-class worked.....	55.80	58.90	62.00
4. For goods exported to Austria and Yugoslavia, an additional transport premium is paid:			
Raw rice.....	2.00	-----	-----
Brown rice.....	2.50	-----	-----
First-class worked rice.....	3.10	-----	-----

¹ The lira on Sept. 16, 1932, was worth 5.13 cents in United States currency. The quintal is equivalent to 220.46 pounds.

JAPAN

In Japan governmental intervention in industry and trade of all sorts is traditional. Probably in no other country, aside from Russia, are State ownership of industry and Government intervention in private enterprise carried further than in Japan. Financial contributions in support of private economic activities; tariff protection to encourage the production of almost every commodity which can be produced within the country; subsidies to shipping companies;

and preferential transportation rates to encourage exports—these have been especially prominent phases of governmental intervention. In agriculture such intervention has been particularly manifested in connection with the following: Control of the rice trade, aid to the silk industry, maintenance of a tobacco monopoly, tariff protection, and aid in connection with the warehousing of agricultural products.

1. *Government control of the rice trade.*—Rice is one of the basic food articles of Japan. It is likewise the chief crop of many farms, constituting about half of the value of the nation's agricultural production. Hence, the supply and price of this staple are matters of primary concern to farmers, to industrialists, and to the Government. The desirability of some degree of price stabilization brought about the passage in 1921 of the rice control act. The act was intended primarily to iron out the large variations in price that might be due to unusual market conditions. Because the Japanese rice crop is on an import basis and the volume of domestic production varies by comparatively small amounts from year to year, the conditions were regarded as particularly favorable for successful stabilization.

The rice act of 1921 provides that the Government may purchase, sell, exchange, work up, or store rice when it considers such action necessary in order to regulate the supply or market price of rice. The Government is authorized when such intervention is deemed necessary to regulate the price by raising, lowering, or abolishing the import duty during any specified period. Imports of rice are prohibited except under license from the Government. When the Government desires to sell or purchase rice in the Empire of Japan, it must publish the prices, and these prices must be based on current market quotations. This rule does not apply, however, when the purchase or sale is made for the purpose of stock replacement. The Government may order producers, dealers, warehouse companies, and others engaged in the marketing or transportation of rice to supply any necessary information, or it may inspect their books when it deems necessary in order to determine rice stocks in connection with its efforts to regulate supplies or prices.

For the administration of the act a rice-control section was set up in the Ministry of Agriculture and Forestry and the sum of \$100,000,000 placed annually at its disposal. To raise additional funds, rice purchase notes payable within a year may be issued, or ordinary borrowing may be resorted to, up to a maximum of some \$135,000,000. A further sum of about \$1,250,000 is allotted for the construction of warehouses for the storage of rice purchased under the act. By the end of 1929 there were over 50 warehouses having a capacity of some 4 million bushels.

The operations of the Government are continuous, the Government being always a factor in the market. During the 10 years that have elapsed since the passage of the act the Government has at times made very large purchases—in all or perhaps some half-dozen occasions. As late as March 1931 the rice market was stimulated not only by Government purchases of stock totaling some fifteen million bushels but also by financial accommodation extended to rice farmers in connection with the marketing of their crop.

In the endeavor to regulate the supply of rice, the Government has also made use of its power to regulate imports and exports. From March 6 to August 31, 1928, the importation of rice was prohibited as a result of a price slump occasioned by an abundant crop. Countries having treaties of commerce and navigation were not included in this embargo, although they are the source of about one third of Japan's total imports of rice. In the opposite situation, during the period of relative scarcity lasting from July to November 1925, the Government sold liberally and at the same time suspended the operation of the import tariff on rice, under which a duty of 38 cents a hundred pounds was being levied. These measures tended to moderate the rise of prices. From February 14 to October 31, 1927, the import duty on rice was again removed by imperial ordinance, owing to a short domestic rice crop. More recently, in August 1931, the Government prohibited the exportation of rice in anticipation of another short crop.

In late 1932 a revision was made in the rice and cereal law. The revision provides that the maximum and minimum price at which Government stocks shall be purchased or sold will henceforth be based on the cost of production instead of upon the relation of the price of rice to other products. Under the latter system and at the prevailing prices in October 1932 of other products, the Government was empowered to purchase rice when the price had dropped to 17.91 yen per koku. On the cost-of-production basis and at costs established

by a recent investigation of the Ministry of Agriculture, Government purchases could be made at 20.58 yen per koku. Prices in October 1932 reached the latter figure, and the Ministry of Agriculture and Forestry was accordingly empowered to buy 2,000,000 koku of rice. Chosen and Taiwan rice may be purchased by the Government at ruling market prices. The Government may also increase or decrease the import duty on millet, thereby discouraging imports of millet and encouraging the consumption of domestic rice.

2. *Government aid to the raw-silk industry.*—The silk industry is Japan's most important industry. Sericulture, or the raising of cocoons, is an important source of income on the farms, accounting for about one eighth of the total farm income. The rearing of silkworms is a household occupation, serving as a means for employing the spare time of the family and supplementing the farm earnings. Inasmuch as alternatives of a household industry character are usually extremely few, the volume of cocoon production tends to be maintained even when prices are low.

Cocoon prices are, of course, dependent on raw-silk prices. Although Japan has almost a monopoly of the world silk market, the silk industry has recurrently been in difficulties during the past decade or so. The output of raw silk has increased tremendously and in several years has resulted in overproduction and, hence, low prices for cocoons. The Government has several times extended financial aid to the raw-silk trade.

The Raw Silk Conditioning House, established in 1895, functions as an authoritative agency for the testing and grading of raw silk and facilitates trade by maintaining recognized standards of quality. No silk may leave the country until it has met with the approval of the Government Conditioning House. This institution is supported by an appropriation of about \$200,000 a year. The Government also cooperates closely with the Central Raw Silk Association, consisting of sericulturists, filatures, merchants, exporters, etc.

In January 1928 the filatures who play an important role in the Central Raw Silk Association, agreed either to take 20 percent of their capacity out of production for the first half of the year or to postpone the opening of their reeling season by 1 month. A year later the association put into effect another plan. A compulsory deposit of \$12.50 per 1,000 kin (about a cent a pound) was to be collected on export silk from the exporters and a fund of \$15,000,000 was to be built up for the purpose of regulating prices. But it soon became apparent that the plan was inadequate and in February 1930 the members of the association again resorted to the 20 percent nonutilization plan for a period of 4 months. Despite these measures supplies continued to pile up and prices continued to decline.

In March 1930 at the instance of the Raw Silk Association, the Silk Stabilization and Indemnification Act was passed, providing for indemnification to the silk trade for losses sustained in withholding silk from the market. The Government agreed to indemnify the syndicate banks against losses resulting from loans to raw silk exporters up to a sum not exceeding 30,000,000 yen (about \$15,000,000), in order to permit the withdrawal of 150,000 boxes of silk from the market. This action was construed as tantamount to guaranteeing the then current price of 1,250 yen per 100 kin (\$4.66 a pound) on the silk stored, although the actual wording of the law provided only for compensation for losses to the extent of \$95 a bale (72 cents a pound). The total subsidy of 30,000,000 yen was made payable in instalments up to June 1932. By June 1930 the amount of silk stored had been increased to 200,000 boxes and the Government had extended its guarantee from \$95 a bale to \$116 a bale in order to include warehousing charges amounting to \$21 a bale. In April, 1931, the sale of raw silk under the indemnification law was begun, but within a month it was suddenly suspended. The large stocks held under the indemnification law continued to weigh on the silk market for some time thereafter.

In late 1932 the silk industry control law was passed. This law provides that all silk manufacturers (those engaged in raw silk reeling except household industry) shall be licensed. It is a basic law to which will be added amendments for the purpose of giving the Government control of the raw-silk industry. It will enable the central governing body to coordinate production of cocoons and raw silk by licensing operations, and to control marketing.

3. *Tobacco monopoly.*—Japan is on an import basis for tobacco. The administration of the tobacco industry by the Imperial Tobacco Monopoly has been a dominant influence in the tobacco industry in Japan. The quantity of to-

bacco produced and the remarkable extent to which consumption has been adjusted to it, together with the relatively small imports of foreign leaf and cigarettes, are the outstanding results of policies pursued by the Government monopoly. The primary purpose of the monopoly has been, of course, to secure as much revenue as possible from the tobacco business, and the above results have been more or less incidental to that purpose. The profits from the monopoly are an important source of Government revenue and have increased steadily year by year.

All operations in Japan's tobacco industry and the trade have been managed since 1904 directly by the Imperial Japanese Government monopoly bureau, which is a section of the Imperial Ministry of Finance. The monopoly bureau regulates and supervises all tobacco cultivation in Japan; purchases the leaf yield from the growers at prices fixed by the bureau regulations; manufactures in its own plants the several tobacco products; purchases abroad (by its own representatives or through its less than a score of specially licensed importers in Japan) its requirements of leaf, manufactured tobacco, and machinery; and governs in every detail the exports and domestic sales, wholesale and retail, of all tobacco products.

Tobacco growing at the prices paid by the monopoly is relatively profitable, it is stated, and there is no difficulty in securing the planted acreage that the monopoly desires. In the fall of the year the director-general publishes the variety and acreages that each district may plant, together with prices to be paid for the various grades. Application is made by individual farmers to the monopoly, stating the acreage that each wishes to plant. Permits are issued after the acreage applied for has been scaled down to the area officially allotted to the district. The permit number must accompany all later deliveries of tobacco grown under the permit. A duty of 355 percent ad valorem on both leaf tobacco and cigarettes effectively diminishes competition from foreign sources.

4. *Tariff and other import restrictions.*—The Japanese tariff dates from the sixties, when the first commercial treaties between Japan and western powers were concluded. During the last decade, important changes have occurred in the years 1924 and 1926, and minor changes in almost every year since 1926. In 1924 a duty of 100 percent ad valorem was placed on some 120 luxury items, in which class were placed fruits, vegetables, and nuts. In the major revision of 1926, raw materials not produced or produced only in small quantity in Japan were placed on the free list, and staple industries that might develop further were given more protection. In 1929 a number of rates were again increased.

Among the more important duties on agricultural products are those affecting fresh and dried fruits, dairy products, rice, wheat, and tobacco. A number of the rates in force at the close of 1932 follow: Butter, 45.60 yen per 100 kin (17 cents per pound at par); wheat, 2.50 yen per 100 kin (56 cents per bushel); wheat flour, 4.30 yen per 100 kin (\$1.62 per 100 pounds); condensed milk, dried, 25 yen per 100 kin and other condensed milk, 15.70 yen per 100 kin (9 cents and 6 cents per pound respectively); and leaf tobacco, 355 percent ad valorem on c.i.f. basis. Raisins and fresh fruits, being on the luxury list, are taxed 100 percent ad valorem. At the present time (May 1933) the Japanese yen has depreciated 52 percent.

There are also other restrictions on imports. In addition to the import duty on rice, import licenses are required. Cigarette importations must also be accompanied by a special permit, and on certain fresh fruits the restrictions are even more drastic, the importation of fresh apples, pears, peaches, apricots, quinces, and prunes being prohibited from European countries, the United States, Canada, Africa, Australia, Tasmania, New Zealand, and Brazil.

5. *Government aid in agricultural warehousing.*—In almost every agricultural community in Japan may be found warehouses for agricultural products, built with government aid. The agricultural warehousing law of 1917 granted subsidies to agricultural associations, cooperative societies, and other corporations concerned with agriculture. The warehouses are empowered to issue warehouse certificates, grant credits on these certificates, and act as agents in transactions involving the goods in their custody. As has already been mentioned in connection with the rice act, a program for the systematic construction of warehouses for rice is being executed by the Japanese Government. The present capacity of the Government's rice warehouses is equal to about one fifth of the volume of an average crop.

LATVIA

The Government of Latvia has been taking an increasingly important part in aiding the agrarian interests of the country during the recent years of world economic depression. Not only have tariffs been imposed on a long list of agricultural products but various other measures of legislative aid have been enacted to protect farmers from foreign competition and to maintain prices paid for agricultural products. The most important of such supplementary legislative devices in force in Latvia are grain milling and mixing regulations, import quotas, production and export bounties or premiums, and in the case of cereals, sugar, and flax, direct monopolistic control and price fixing.

1. *Tariffs*.—Latvia depends to a great extent upon agriculture for her livelihood. For that reason the Government has been particularly mindful of the needs of the agrarian interests. Although the country is on an export basis for many farm products, notably butter, flax and linseed, hides and skins, bacon, etc., it is also wholly or partly dependent on foreign sources for many agricultural products, including cereals, fruits, nuts, sugar, cotton, some kinds of hides and skins, etc. In respect to such of these imported commodities as she also produces, notably cereals, Latvia has been in a position to raise prices of home-grown products by means of import restrictions.

To an increasing extent tariff duties have been employed to this end. Under the Latvian tariff many agricultural products are dutiable, and from time to time the duties have been increased. Outstanding among recent revisions was that of July 23, 1931, when 57 items out of some 217 in the Latvian tariff, including a considerable number of agricultural products, were revised upward. Again, effective July 13, 1932, a decree increased the import duties on more than half of the items of the Latvian tariff, to amounts ranging from one and one half to four times the former duties. Other methods of restricting imports of agricultural products, however, have tended to overshadow the tariff.

2. *Control of grain trade and grain prices*.—The Government of Latvia at the present time exercises a monopoly of the foreign and domestic grain trade of the country, reserving for itself the exclusive right to the importation of wheat, rye, barley, and corn, and offering to purchase all of the domestic wheat and rye grown in the country at guaranteed prices. This monopoly of the grain trade evolved out of a less rigid system of control previously in force. The following paragraphs give a brief summary (a) of the earlier measures for controlling the grain trade and (b) of the present grain monopoly.

(a) *Earlier grain trade-control legislation*.—Latvia has exercised direct governmental control over prices of home-grown cereals (wheat and rye) and has controlled imports of such cereals and of wheat and rye flour by establishing definite quotas of the domestic product that must be purchased before imports can be effected since early in August 1930. These quotas have been changed from time to time. The latest revision, dated November 5, 1931, provided that millers must purchase domestic wheat and rye from the Ministry of Agriculture in the following proportions in order to import these grains or wheat and rye flour: (1) 6 quintals of home-grown rye for every quintal of foreign rye; (2) 8 quintals of home-grown rye for each quintal of imported rye flour; (3) 2 quintals of home-grown wheat and one third quintal of home-grown barley for each quintal of imported wheat; and (4), 3 quintals of home-grown wheat and 1 quintal of home-grown barley for each quintal of imported wheat flour.

The above legislation was originally provided for in an enabling act passed on July 31, 1930, and effective August 8, 1930. This law gave the Latvian cabinet the authority to control imports of wheat, rye, and wheat and rye flour, by enforcing the compulsory purchase of specified quantities of domestic wheat and rye as a prerequisite to importation. It also authorized the Government to purchase at fixed prices all of the domestic wheat and rye offered to it by farmers after certain quantities needed for feeding to livestock, for seeding, and for personal needs had been deducted. In addition, the Minister of Agriculture was empowered to sell the grain purchased by the Government at a fixed price to all buyers. The law also authorized the Ministry of Agriculture to issue a certificate on each purchase of grain from the Government stocks. This certificate would entitle the holder to import certain quantities of foreign wheat and rye and their products, the exact quantities to be specified in subsequent decrees.

In accordance with the provisions of the above-mentioned enabling law the cabinet from time to time issued the necessary decrees governing its administration. The most important of such decrees was that of August 14, 1930, which definitely authorized the Ministry of Agriculture (1) to an-

nounce at the beginning of each harvest the price that would be paid by the Government for domestic wheat and rye of a specified grade and quality; (2) to delegate persons or firms to accept delivery of domestic wheat and rye for the account of the Government; (3) to act as the exclusive seller of all "locally produced" wheat and rye and to allot such sales in accordance with the production capacity of the individual mills. The mills in this connection are required to submit monthly statements as to their requirements of locally produced wheat and rye.

The decree of August 14, 1930, also laid down an elaborate program for controlling competition from imported wheat and rye. In the first place it authorized the Cabinet of Ministers to regulate the proportion of foreign and local grain to be ground by millers. These proportions must be based on the monthly consumption of cereals, as declared by the bakeries, and on the quantity of domestic wheat and rye in the stores of the Government. In the second place, it authorized the Government to prohibit the importation and distribution of foreign wheat and rye and wheat and rye flour except by firms and persons who have certificates showing that they have purchased locally produced wheat and rye from the Government in the quantities prescribed by the Cabinet of Ministers. Such certificates are issued immediately upon the purchase of domestic grain from the Ministry of Agriculture and they indicate the exact quantity of the foreign product which the holder is entitled to import. The actual quantity of domestic wheat and rye which must be purchased from the Government in order to import a given amount of foreign wheat and rye or wheat and rye flour has been changed from time to time by decrees. Late in 1931 the Government was also authorized to enforce the purchase and use of certain amounts of domestic barley, barley flour, and potato flour whenever it deemed such action necessary to maintain prices to local producers.

(b) *Present grain monopoly.*—By a decree published on April 14, 1932, and effective June 15, 1932, all former regulations regarding the marketing of grain were rescinded in favor of a Government grain monopoly. The new monopoly law provides that the importation of rye, wheat, barley, and corn and the products thereof shall be confined exclusively to the Government, under the supervision of the Ministry of Agriculture. Moreover, the Ministry of Agriculture is authorized to control the domestic trade in bread grain and the products thereof.

In accordance with the terms of the law, locally produced bread grain (rye and wheat) may be sold in the domestic market at unrestricted prices; such rye and wheat, however, may also be delivered to the Ministry of Agriculture by the method provided in the new regulations. The latter feature is covered in the clause which provides that (in order to encourage the production of domestic grain) the Ministry of Agriculture can purchase locally grown rye and wheat either direct from the growers or through cooperative organizations and the rural self-governments at uniform prices throughout the country, in accordance with the quality specified and at prices fixed by the Government.

The basic prices at which grain may be purchased by the monopoly are to be determined by the Cabinet of Ministers on the basis of average production costs. The prices are to be fixed by April 1 of each year and will remain effective for the crop of each succeeding year. The Government purchasing price for 1932-33 crop wheat and rye were as follows: Wheat 27 lats, and rye 21.60 lats per quintal (\$1.42 and \$1.06 a bushel, respectively). The Ministry of Agriculture is authorized to receive money from the seed fund for the purpose of purchasing grain and the products thereof, as well as from the reserve capital of the State (according to special laws to be promulgated), or by borrowing funds from the Bank of Latvia.

Foreign and domestic rye and wheat and the products thereof which have been purchased by the monopoly must be sold at prices to be fixed by the Ministry of Agriculture. Profits from such sales are to be used for the promotion of butter and bacon production.

The Ministry of Agriculture is also authorized to issue binding instructions for the purpose of regulating the proportion of domestic grain to be used by the millers in the manufacture of flour produced, as well as to regulate the prices of flour and bread in proportionate relation to the grain prices fixed by the Ministry of Agriculture. The Ministry of Agriculture is also authorized to supervise the operation of mills, bakeries, and shops marketing flour.

Under the new monopoly law, profits which were previously made by the larger grain millers in Latvia on the sale of imported grain to the smaller

millers, will represent profits to be gained by the Government. Because of lack of funds, the smaller Latvian millers have heretofore only been able to purchase very limited quantities of imported grain at a time. Their purchases have been made almost entirely on a cash basis from the larger millers, who have also been the most substantial grain importers, due to their better credit facilities. Under the monopoly, the larger and smaller millers will be placed on the same basis, both being required to make their purchases of imported grain from the Government.

The Government proposed to purchase domestic wheat from the Latvian farmers at about 270 lats per metric ton (\$1.42 per bushel, at par) and sell it to the local millers at the same price. At that time (Apr. 19, 1932) foreign wheat was quoted c.i.f. Latvian ports at approximately 158 lats per metric ton (\$0.83 per bushel). It was believed that foreign wheat would eventually be quoted a little lower, and that the difference between the price of foreign wheat and 270 lats per ton (\$1.42 per bushel), the price at which the Latvian Government intended to sell it to the local millers, would be more than sufficient to cover the Government's handling costs. The Latvian Government officials expressed the opinion that substantial revenue would be gained under the proposed plan, and that there was no reason to anticipate an increase in the price of bread in Latvia as a result of the new monopoly.

Because of the high price fixed by the Government for the wheat and rye offered to the monopoly by domestic growers, the farmers increased their acreage to such an extent that the 1932 crop was sufficient to supply the requirements of the country. It must be borne in mind that under the terms of the law of April 14, 1932, millers could purchase grain either from the Government or direct from the farmers. Because of limited funds available to the Ministry of Agriculture for grain purchasing operations, the Government subsequently announced that cash payments would be made only for certain limited quantities of grain offered to the Government by growers. For deliveries in excess of the stipulated limited quantities, payments were to be made at a later date. The Government also announced that on grain sold direct to the monopoly it would deduct from the prices certain debts (such as taxes, loans for seed, fertilizers, etc.) owed the Government by producers. However, instead of selling to the monopoly, many of the Latvian wheat and rye growers sold large portions of their grain direct to the millers at prices slightly below those fixed by the Government for monopoly purchasers. Those growers preferred to sell their grain to private dealers at lower prices because they obtained immediate cash without deductions for taxes and other debts.

On March 15, 1933, it was reported that the stock of grain held by the monopoly amounted to 17,500 metric tons of wheat and to 35,000 tons of rye. In order to finance the purchase and resale of this grain, the monopoly had borrowed from the Bank of Latvia 15,000,000 lats (\$2,895,000 at par) at 6 percent interest. Due to the fact that the monopoly has not been able to sell its grain to local millers as rapidly as anticipated, it has not been able to repay the loan to the Bank of Latvia. However, since the monopoly has the exclusive right to import grain and since the stocks held by the Government will be needed to supply the requirements of the country up to August 1, 1933, it was believed that the monopoly would increase its selling prices to millers in an endeavor to offset losses on operations for the 1932-33 crop year. While this would undoubtedly result in an increase in the price of bread, the entire scheme is looked upon with satisfaction by the Government since it resulted not only in higher prices than producers would otherwise have obtained but also in increasing the acreage planted to grain. The latter development obviated the necessity of purchasing additional foreign wheat and of remitting foreign exchange to pay for such imports. In general, however, the monopoly appears to have failed completely in other respects of its original purpose, namely, of earning a profit on the sale of imported grain and at the same time preventing the retail price for bread sold to local consumers from rising.

3. *Import quotas and contingents.*—Reference has already been made to the application to cereals of the principle of import quotas based on definite ratios to purchases of domestic grain. This principle was subsequently applied to sugar, meat, and meat products. Late in 1931 and early in 1932 a system was adopted whereby imports of all commodities were limited by contingents based on actual imports during 1930 and 1931.

Effective August 28, 1931, the Latvian Government was authorized to fix certain proportions of home-produced meat and meat products of all kinds which must be purchased by firms and individuals before imports of such products could be made. This authorization covered all meats, including fatbacks,

natural fats of animal origin, and also artificial fats mixed with vegetable oils, margarine, and hydrated fats.

Effective October 30, 1931, the importation of all kinds of sugar into Latvia was limited to holders of certificates indicating that specified quantities of domestic sugar had been purchased from the Government sugar monopoly. At that time it was decreed that 10 tons of sugar had to be purchased from the Government mills in order to obtain the right to import 1 ton of foreign sugar. Recently, however, this law has been superseded by a complete Government monopoly of the sugar industry and trade of the country (see sec. 5, following).

The quota principle, in other forms, has been applied and extended until it now includes all imported products and is coupled with a system of Government licensing. On October 15, 1931, import quotas were fixed by countries for edible fats, meats, raisins, currants, and a number of industrial products, based on a specified percentage of the quantities imported during 1930. This law specified that for 1 year, beginning October 15, 1931, the foreign goods listed could be imported into Latvia only within the contingents indicated. The presentation of import permits from the customs department were required for the importation of such goods. The law provided that as soon as the respective contingent of merchandise fixed for each country was imported no further permit would be issued for the importation of that particular commodity from the country concerned. The law also provided that the merchandise listed could not be imported from countries not mentioned in the regulation.

On November 2, 1931, fixed annual import contingents were established for 60 groups of commodities, including such agricultural products as hides, butter, rice, barley, and oats, for the calendar year 1932. The contingents ranged from 10 percent to 60 percent of the amount imported in 1930. While the quantity of each product that might be imported was definitely fixed, the Government reserved the authority to permit enterprises to import raw and semi-manufactured materials in excess of the maximum quantities stipulated, provided the merchandise is destined (a) for the manufacture of goods for export, or (b) for the manufacture of goods for the local market if the raw or semi-manufactured materials cannot be purchased locally in sufficient quantities.

On February 18, 1932, the Latvian Government published a new regulation which limited the imports of all commodities not previously covered by contingents to 75 percent of the quantities imported during 1931. Prior to the publication of this law all goods for which no contingents had been fixed could be imported into Latvia in any quantities desired, except that importers had to secure the consent of the valuta commission to pay for goods imported if the products were to be paid for in foreign currency. This new law finally gave the Government of Latvia a complete monopoly over all imports. Importers are now compelled to secure a permit from a committee which has been appointed by the Government to control imports. In issuing permits for the importation of goods the committee will endeavor to direct trade to countries with which Latvia has a favorable trade balance.

4. *Export subsidies.*—On August 25, 1930, the Government of Latvia passed a law providing for the stimulation of butter production by the payment of a premium on all milk sold to dairies making butter for the export market. A sum of \$473,000 was appropriated for that purpose. The premium is distributed on the basis of the butter that is made from the quantity of milk delivered. It amounts to 0.20 lat per kilogram (1.75 cents per pound) for first-grade butter when produced by dairies in certain specified provinces, and 0.30 lat per kilogram (2.63 cents per pound) for first- and second-grade butter when produced by dairies in certain other specified provinces.

While the exports of butter from Latvia during 1930 and 1931 were well maintained, their export value steadily declined. The average f.o.b. price for Latvian butter during 1931 and early in 1932 was 1.60 lats per kilogram (14.01 cents per pound at par). This price made it unprofitable for the Latvian dairy farmer to continue producing milk. In order to encourage dairy farming and to maintain butter exports, the Latvian Government issued a decree on July 1, 1932, whereby it guaranteed to the farmers a fixed price of 2.50 lats per kilogram (21.89 cents per pound) for butter. The difference between the f.o.b. price (1.60 lats per kilogram at that time) and the guaranteed price (2.50 lats per kilogram) was to be paid by the State as an export premium.

The Latvian Government also subsidizes the domestic flax industry, which is on an export basis. Further details as to the activities of the Latvian flax monopoly are given in section 6 below. The domestic flax producer is being

subsidized through the activities of a Government monopoly which is buying the domestic product at prices in excess of the world-market level.

On July 31, 1930, the Government passed a law providing for the payment of a bounty on the exportation of bacon. The law provides that in order to encourage the breeding of three specified grades of bacon pigs the Government would pay pig raisers a subsidy of 15 lats on each hog (\$2.90) whenever the price of Latvian bacon on the London market ranges between 82 and 86 shillings per hundredweight (\$17.81 to \$18.68 per 100 pounds at par) and a subsidy of 20 lats on each hog (\$3.86) whenever the London price falls below 82 shillings per hundredweight (\$17.81 per 100 pounds). This law was modified on July 31, 1931, so as to provide for the payment of a premium to breeders of hogs of a satisfactory bacon type, weighing from 75 to 100 kilograms each, when sold to slaughter houses, on the following basis: (a) A premium of 10 lats (\$1.93) per hog, if at the time of delivery the price for first-grade Latvian bacon in London is below 75 shillings per hundredweight (\$16.29 per 100 pounds); (b) a premium of 15 lats (\$2.90) per hog, if the London price is below 70 shillings per hundredweight (\$15.21 per 100 pounds). Should the price for first-grade Latvian bacon in London exceed 85 shillings per hundredweight (\$18.47 per 100 pounds), 50 percent of the excess in the price must be transferred by the slaughter houses to a special fund in the Bank of Latvia, from which fund the premiums are to be paid to hog breeders. The cost of transporting hogs by railway to the slaughter houses is borne by the Government.

5. *Government sugar monopoly.*—On January 5, 1932, a new law went into effect providing for the establishment of a Government sugar monopoly. The new law gives the Ministry of Finance the exclusive right to import and to sell imported sugar, and to buy and sell domestic sugar. In other words, the State is given an exclusive monopoly in sugar and sugar products. The price at which the Ministry shall purchase sugar from local mills is fixed by the Government. The purpose of the law is to keep foreign sugar out of the market until the domestic production has been disposed of. This is expected to strengthen the local industry and guarantee growers favorable prices for their sugar beets.

The manufacture of sugar from domestic or imported materials on the part of private enterprises is permitted only upon authorization of the Ministry of Finance. The law specifies that all sugar produced from domestic sugar beets shall be purchased by the Finance Ministry at prices fixed by the Cabinet. The law also authorizes the Finance Minister to fix the compensation to be paid domestic sugar factories for converting imported raw sugar into crystallized sugar. Such imports can be made only in accordance with regulations issued by the Government.

6. *Government flax monopoly.*—The Government of Latvia has exercised a complete monopoly of the flax industry and trade of the country since August 1, 1919. At that time the Government took over the entire flax stocks of the country and granted to itself the exclusive right to purchase, sell, and export flax. Moreover, it fixed the prices at which it would purchase all of the flax grown in Latvia. Flax has always been one of the most important export crops grown in Latvia and by means of this monopoly the Government hoped to secure for itself a steady source of revenue while at the same time maintaining stabilized prices for the domestic crop.

The monopoly itself was created by a decree law passed on March 27, 1919. This decree provided that the purchase, working, sale, and exportation of flax was to be the exclusive right of the Government. The operative details of the flax monopoly were subsequently outlined in supplementary decrees. These regulations provided that the flax was to be delivered by farmers to licensed monopoly buying stations. These stations are compelled to pay the price fixed by the Ministry of Finance. The licensed purchasers may make their payments either out of their private funds (to be reimbursed later by the Government) or out of sums advanced free of interest by the Ministry of Finance.

The flax-purchasing stations must deliver all purchases to the monopoly storehouses at Riga. At the end of each fiscal year, on March 31, settlements are made between the monopoly and the various individual licensed stations for freight and insurance outlays by the latter and for the commissions which the monopoly allows them in order to cover salaries, overhead, transfer of funds, profits, etc. These commissions range from 2 to 2½ percent, according to turnover.

A license must be obtained for the operation of flax-working plants. These plants enjoy the right of buying flax from the farmer at prices agreed upon by the working plant and the grower. The plant, however, must turn over its

entire output to the monopoly at fixed prices. The prices which the monopoly pays for worked flax are so arranged that the profits received by the Government will be the same as if the flax had been purchased directly by the monopoly from the growers. The flax monopoly may grant credits to the flax-working plants free of interest. In general it may be said that the entire activities of the flax-working plants are subject to rigid Government control.

In the early years of its existence the newly established Republic of Latvia found that revenue obtained from its flax monopoly was one of its principal sources of income. Subsequently, however, the flax monopoly ceased to be an important factor in balancing the budget. Moreover, the flax yields have become unsatisfactory, due probably to soil exhaustion resulting from continuous plantings in the same areas. Latvia's strongest competitor in the world's flax market is Soviet Russia, which country has continually been frustrating the calculations of the Latvian flax monopoly through arbitrary price rulings. Efforts made to bring about an agreement between the two countries governing the sale and export price of flax have met with no success. The decline of prices on the world market and the increasing alleged "unfair competition" offered by Russia have caused the monopoly to lose larger and larger amounts of money, and it has been obliged to borrow from the Bank of Latvia. Increasing pressure has been brought to bear with a view to abolishing the monopoly. However, all efforts to have the monopoly abandoned have failed.

The prices at which the Latvian flax monopoly has been required to purchase domestic flax from 1930 down to the present (June 1933) are given in the table below. The law provides that should the flax monopoly be obliged to sell the flax at prices below the fixed purchase prices, the funds necessary to cover the loss thus incurred will be provided for in the budget for the next fiscal year. A new feature was introduced on February 13, 1933. A decree of that date specified that the Government would pay a bonus of 25 percent over and above the fixed prices for the season. This bonus is paid in the form of "debt receipts" which flax growers can use for the settlement of their debts to the Agrarian Bank, to the seed fund, and for the repayment of loans received from the Government for the purchase of cattle feed. Flax growers who are not indebted to the Government receive this bonus in cash.

Latvia: Fixed monopoly purchasing prices for flax and tow

Grade	Prices for the crop specified				
	1930	1931	1932 ¹	1933 ²	1933 ³
	<i>Lats per kilo</i>	<i>Lats per kilo</i>	<i>Lats per kilo</i>	<i>Lats per kilo</i>	<i>Lats per kilo</i>
White Crown and Green Crown flax:					
R or +R.....	1.40	0.66	0.82	1.00	1.15
ZK or +HD+.....	1.22	.56	.72	.88	1.00
SPK or SPHD.....	1.04	.46	.61	.76	.85
PK or FPHD.....	.86	.36	.51	.64	.70
K or PHD.....	.68	.28	.40	.52	.55
W or HD.....	.50	.20	.30	.40	.42
D or LD.....	.34	.14	.18	.28	.30
S.....	.20	.08	.10	.16	.18
Tow:					
First grade.....	.76	.40	.42	(4)	(4)
Second grade.....	.58	.30	.34	(4)	(4)
Third grade.....	.42	.20	.28	(4)	(4)
	<i>Cents per pound⁵</i>	<i>Cents per pound⁵</i>	<i>Cents per pound⁵</i>	<i>Cents per pound⁵</i>	<i>Cents per pound⁵</i>
White Crown and Green Crown flax:					
R or +R.....	12.26	5.78	7.18	8.75	10.07
ZK or +HD+.....	10.68	4.90	6.30	7.70	8.75
SPK or SFPHD.....	9.10	4.03	5.34	6.65	7.44
PK or FPHD.....	7.53	3.15	4.46	5.60	6.13
K or PHD.....	5.95	2.45	3.50	4.55	4.81
W or HD.....	4.38	1.75	2.63	3.50	3.68
D or LD.....	2.98	1.23	1.58	2.45	2.63
S.....	1.75	.70	.88	1.40	1.58
Tow:					
First grade.....	6.65	3.50	3.68	(4)	(4)
Second grade.....	5.08	2.63	2.98	(4)	(4)
Third grade.....	3.68	1.75	2.45	(4)	(4)
Fourth grade.....	2.28	.88	1.23	(4)	(4)
Building tow.....	.35	.35	.35	(4)	(4)

¹ A decree of Feb. 13, 1933, authorized the Latvian Government to pay a bonus amounting to 25 percent of the fixed purchasing prices.

² Original prices for 1933 crop fixed by decree of Feb. 13, 1933.

³ Early in May 1933 the Government announced that the monopoly prices for 1933 crop flax would be increased as indicated.

⁴ The Latvian Minister of Finance was authorized to fix the monopoly purchase prices for tow and flax straw on the basis of the above-mentioned flax fiber prices.

⁵ Conversions made at par of exchange (lat=\$0.193).

7. *Special aid for amortization of seed-loan debts.*—On January 31, 1932, the Latvian Ministry of Agriculture announced that barley would be accepted from farmers by the Government in payment for seed-loan debts. In accordance with the regulations issued as of that date, the farmers were permitted to repay with barley such of their seed-loan debts to the Government, as were contracted prior to November 20, 1929. The value of the barley for the repayment of these debts was fixed as follows: 30 lats per quintal (\$1.26 per bushel) for dried barley and 27 lats per quintal (\$1.13 per bushel) for undried barley. The indebtedness of farmers to the Government for loans contracted since November 20, 1929, however, had to be paid in cash. This regulation is referred to only because it indicates the frozen condition of the debts of Latvian farmers and the method adopted by the Government to relieve the situation.

LITHUANIA

In Lithuania, where 85 percent of the population is engaged in agricultural pursuits, the Government has been especially active in the field of agrarian relief. The relief extended has taken various forms, such as long-term loans granted at low interest rates, special encouragement to cooperative societies, improvement in the quality of goods exported so as to make it possible for the product to realize top prices, tariffs and other forms of subsidy. Special attention will be given here only to such measures as have a direct bearing on price, such as tariffs, subsidies, and other forms of price maintenance. Subsidies have been granted by the Lithuanian Government for the breeding of pigs and for the export of bacon, as well as for assistance in one form or another to producers of cereal grains, flax, sugar beets, and dairy products.

1. *Tariffs.*—Lithuania maintains tariff duties on a wide range of agricultural and industrial products, her tariff policy being definitely protective. Many changes in the duties have been made in recent years but in general it can be said that the tendency has been toward higher rates, particularly on agricultural products. The year 1931 was particularly noteworthy because of the large number of increases in the duties made that year. On March 31, for example, the Lithuanian cabinet of ministers increased the import duties on all of the principal commodities imported into the country. The duties on foodstuffs were increased by margins ranging from 20 to 100 percent. Among the commodities for which the duties were increased during 1931 were sugar, rice, coffee, tobacco, flour (other than wheat flour), grits, certain seeds and nuts, hops, certain animal fats, fish, oranges, grapes, condensed and powdered milk, and a long list of other agricultural as well as manufactured products.

The cultivation of grain and flax is the chief basis of agriculture in Lithuania. Flax is an important item of export, but bread grains are not produced for export. Although an exportable surplus of the latter is sometimes available, the country more frequently finds it necessary to supplement the domestic production of wheat and rye by imports. Producers are now protected by a duty of 0.10 lit per kilo (25.40 cents per bushel at par) on rye and of 0.30 lit per kilo (81.65 cents per bushel) on wheat. Wheat and rye flour are dutiable at 0.55 lit per kilo (\$2.49 per 100 pounds).

In recent years there has been a marked tendency toward dairy farming and the development of a livestock and meat industry. This tendency has been promoted by the low prices of grain and a realization that climatic and soil conditions are more suitable for an expansion in the growing of forage crops for feeding livestock than in the growing of bread grains. Dairy products, livestock and meat products, therefore, have been given special tariff protection in recent years. Some of the duties on these products at the present time are as follows: Butter, 4 lit per kilo (18.2 cents per pound); fresh salted, smoked or dried meat and sausage, 0.75 lit per kilo (3.4 cents per pound); and bacon, 2 lit per kilo (9.1 cents per pound).

In order to protect the domestic sugar industry the Lithuanian Government greatly increased the import duties on granulated and lump sugar during 1931. On January 1, 1931, the import duty on granulated sugar was raised from 0.45 lit per kilo (2 cents per pound), to 0.60 lit per kilo (2.7 cents per pound), and on October 15, 1931, to 0.70 lit per kilo (3.2 cents per pound). The import duty on lump sugar during the period was raised from 0.50 lit per kilo (2.3 cents per pound) to 0.75 lit per kilo (3.4 cents per pound).

Duties are also levied on a long list of other agricultural products but the examples given will serve to indicate the general policy of the Government in regard to the tariff as a means of aiding the farmer. The rates given are

those applicable to treaty countries, such as the United States. The rates on goods from nontreaty countries are, in general, considerably higher.

2. *Measures for the maintenance of hog prices.*—The Lithuanian Government has been taking active steps to maintain prices paid producers of bacon-type hogs ever since the middle of 1930. It was felt that the bacon export trade of the country could not be developed and maintained except with a government subsidy. This the Government has undertaken by setting up a schedule of fixed prices to be paid for hogs intended for export, and subsequently establishing a semiofficial monopoly of the bacon export trade. The Government activities along this line since the middle of 1930 group themselves into three phases.

(a) *Fixed prices for live hogs.*—The first phase began with a law promulgated on July 19, 1930, the purpose of which was to maintain domestic prices of bacon-type hogs at a relatively high figure so that hog raisers would be assured an income commensurate with hog prices on the British market. This law provided that all export slaughter houses would be under the control of the Ministry of Agriculture. Moreover, these slaughter houses were required to pay farmers fixed prices for live hogs, varying with the weight of the hogs and the month of the year. The law also provided that all losses suffered by the slaughter houses in the payment of the fixed prices were to be compensated by the Ministry of Agriculture.

The prices fixed in this law for live hogs for export slaughter were as follows:

*Lithuania: Prices fixed for live hogs for export slaughter*¹

[Under the law of July 19, 1930]

Classification	Weight	Basic price, lits per 50 kilos	In United States cur- rency per 100 pounds
	<i>Kilos</i>		
(a) First-class hogs to be used for bacon-----	83.5 to 90.0	100	\$9.07
(b) Second-class hogs to be used for bacon-----	{ 80.0 to 83.0	95	8.62
(c) Hogs not to be used for bacon but good for export-----	{ 90.5 to 100.0	70	6.35

Prices delivered to packing plants.

The law provided further that during the months of November, December, and January, the price per 50 kilograms of live weight would be 7 lits (63.5 cents per 100 pounds) less than the basic price, and during the months of July, August, and September, it would be 7 lits (63.5 cents per 100 pounds) higher. These prices were to remain in effect for the following periods: (1) For hogs to be used for bacon—to the end of the calendar year 1934; (2) for hogs not to be used for bacon—to the end of the calendar year 1931. It was also provided that if at the beginning of the calendar year 1932, prices in the export market should fall to such a level as to make impracticable the payment in Lithuania, without loss, of 75 lits per 50 kilograms of live weight (\$6.80 per 100 pounds), the fixed prices might be decreased by 10 lits per 50 kilograms (\$0.91 per 100 pounds).

(b) *Seasonal fixed-price system.*—The second phase in the development of control of the bacon trade began with the amendment of the above law on February 17, 1931. The amendments consisted mainly of changes in the months during which the various fixed price levels for live hogs had to be paid. According to executives of the joint-stock company “Maistas”, which controls the bulk of the bacon production of the country, the amendments grew out of the experience of that company in its bacon export activities during 1930. It developed that the month of June ought to be added to the high-price season because particularly attractive prices were necessary that month in order to induce farmers to bring their stock to the market in view of their heavy agricultural activities at that time. Experience also showed that foreign competition on the London market became particularly keen from August 1 to December 31. Therefore, it was deemed advisable to reduce the high-price period for the months of August and September and to transfer these months to the cheap-price season.

The amendments to the law also made some changes in the classification of hogs as will be evidenced in the following tabulation of the new prices fixed for hogs delivered to packing houses and intended for export.

*Lithuania: Prices fixed for live hogs for export slaughter*¹

[Under the law of Feb. 17, 1931]

Classification	In foreign currency lits per 100 kilos			In United States currency per 100 pounds		
	February to May	June to July	August to De- cember	February to May	June to July	August to De- cember
1. Hogs suitable for bacon production:						
(a) First class, weighing from 83.5 to 90 kilos.....	100	102	90	\$9.08	\$9.26	\$8.18
(b) Second class, weighing from 80 to 83 kilos and from 90.5 to 100 kilos.....	95	97	85	8.62	8.80	7.72
2. Hogs not suitable for bacon production:						
(a) Of the "bacon type" and weight, but too fat.....	75	77	65	6.80	7.00	5.90
(b) Ordinary, but suitable for export....	60	70	60	5.44	6.36	5.44

¹ Prices delivered to packing plants.

(c) *Bacon export monopoly.*—The third and latest amendment in the price maintenance law became effective on January 1, 1932. The earlier regulations guaranteed a fixed price for bacon type live hogs delivered to packing houses and intended for export. The new law grants a legal monopoly of the bacon export trade to the already existing Government-owned organization "the Maistas", and materially changes the system of price fixing. The law provides that the Maistas shall be the only legal purchaser of bacon type hogs intended for export. In granting the Maistas a monopoly of the bacon trade, the Government merely gave legal sanction to a situation already existing in practice, since that organization and its affiliated companies has virtually controlled the bacon curing and packing industry of the country for several years, particularly as far as the export business is concerned.

The Maistas was organized in Kovno under private initiative in 1922 for the purpose of purchasing Lithuanian eggs for export. Its activities were later extended to butter, poultry, livestock, and meats. The company was sold on December 1, 1925, to several Lithuanian agricultural organizations, which took over 85 percent of its shares, leaving the remaining 15 percent to the previous owners. In October 1930, the company was amalgamated with the State-owned company "Lietuvos Eksportas" (Lithuanian Export), which maintained a bacon factory in Memel, the Lithuanian port on the Baltic Sea. Most of the shares of the reorganized joint-stock company were purchased by the Lithuanian Ministry of Finance.

Thus, when the new plan was adopted the Maistas was a Government-owned organization. One of the outstanding features of the new plan, however, is that it provides for automatically increasing participation in the ownership of the company by the hog breeders themselves and the gradual transfer of ownership from the Government to the producers. Breeders automatically acquire shares in the company in ratio to the volume of their transactions. The company is authorized to deduct 5 lits (\$0.50) per hog from its purchase price, this amount to be credited to the breeders' acquisition of the shares. The Government is striving to interest farmers financially in the export trade and thus induce them to adapt their production to the requirements of foreign markets.

There were also important changes in the method of price fixing. The former regulations providing for fixed prices and for time stipulations for the payment of ordinary, increase, and reduced prices (whereby a steady supply of hogs throughout the year was to be encouraged), are entirely abolished in the new plan. In contrast to the former practice, no specifications are provided in the present amendment for fixed prices on live hogs delivered to the slaugh-

terhouses. The new price-maintenance scheme is based on the dead weight of the hogs.

Hogs suitable for bacon production are set aside, at each place of purchase, where they are ear-marked, weighed, and registered, before being sent to the slaughterhouse. At this original place of purchase the breeders receive an advance payment of 70 lits (\$7) per hog. A final adjustment is made after slaughtering and grading. Upon the arrival of the hogs at the slaughterhouse, the breeders are given tickets on which are inscribed the number of hogs purchased, the weight of each hog, and the ear number of each animal. The balance due the farmer is paid after an evaluation of the hog in accordance with its dead weight. The dead weight is understood to be the weight of a slaughtered hog excluding entrails, such as lungs, liver, heart, throat, kidneys, stomach, and intestines, but including head, legs, and inner fat.

Slaughtered hogs are divided into three grades, according to quality (tenderness, firmness, leanness, etc.). The following prices have been fixed for the three grades of hogs ranging from 57 to 72 kilos dead weight (126 to 159 pounds), these prices remaining in effect until July 1, 1932: Class I, 1.60 lits per kilo (7.26 cents a pound); class II, 1.50 lits per kilo (6.81 cents a pound); class III, 1.35 lits per kilo (6.13 cents a pound).

Grade III includes also heavy hogs with a dead weight ranging from 72.5 to 79.5 kilos (160 to 175 pounds), as well as light hogs with a dead weight ranging from 50 to 56.5 kilos (110 to 125 pounds). Deductions are to be made from the fixed price for grade III hogs, amounting to 0.15 lits per kilo (0.7 cent per pound) on light hogs, if their dead weight ranges from 55 to 56.5 kilos (121 to 125 pounds), and amounting to 0.20 lits per kilo (0.9 cent per pound) if their dead weight ranges from 50 to 54.5 kilos (110 to 120 pounds). In order to protect domestic farmers against possible abuse on the part of buyers and also to acquaint breeders with the requirements for export, the weighing and grading of hogs is conducted exclusively by Government agents.

3. *Guaranteed prices for sugar beets.*—In order to promote the cultivation of sugar beets, the Lithuanian Government in 1931 guaranteed the payment of 4 lits per 50 kilos (36.3 cents per 100 pounds) for sugar beets, f.o.b. factory, for the 3 years 1931, 1932, and 1933. This measure was followed by an increase in the sugar beet area from 1,600 acres in 1930 to 7,400 acres in 1931. The Sugar Beet Growers' Association, composed of about 2,000 members, contemplated planting 19,000 acres of land in sugar beets in 1932, and 25,000 acres in 1933. It was estimated that this area would produce enough sugar to supply the entire needs of Lithuania and would remove all necessity for importation. In order to protect the industry the Government decided to increase the import duties on granulated and lump sugar (see tariffs).

In other ways also the Government has been manifesting increasing interest in the industry. A large factory, "the Akeine Bendrove Lietuvos Cukrus" (Joint Stock Co. for Lithuanian Sugar), in which the Government has pre-dominant control, situated at Mariampole, began operating on October 15, 1931. The Government has been promoting the domestic cultivation of sugar beets since the establishment of the "Cukriniu Runkeliu Augintoju Drougija" (Sugar Beet Growers' Association) in 1923, and now that there is a local sugar factory to absorb the entire sugar beet crop, this industry is expected to expand considerably. As an additional aid to producers the Minister of Communications on October 15, 1931, ordered a reduction, in most cases of as much as 50 percent, in the railway freight rates on domestic sugar beets and their derivatives.

4. *Regulation of clover seed imports.*—A law became effective on October 10, 1931, prohibiting the importation of clover seeds unless they complied with certain requirements. These requirements provided (a) that the seed must be mixed with certain other specified seeds; (b) that the imported seed must have a minimum purity and sprouting percentage; (c) that the seed be imported in specified sacks; (d) that the seed be imported through certain specified customs houses; and (e) that the seed be dyed with eozin dye before clearance through the Lithuanian customs. The purpose of the law is to protect the domestic clover seed industry and maintain prices for the domestic product. In normal years Lithuania has a surplus of clover seed for export and the production of hay and other forage plants is increasing as a result of the intensified breeding of animals and the augmented trade in fresh and preserved meats.

5. *Aid to the dairy industry.*—Although no detailed reports are available describing the activities of the Government in connection with aid to the dairy industry, there is fragmentary evidence indicating that direct aid has in fact been given. There is information indicating, for example, that the various subsidies granted by the Lithuanian Government to aid farmers during 1931 included 10,000,000 lits (\$1,000,000) for dairying, and there are definite indications that at least a part of this grant was used to pay premiums to manufacturers of first-class butter.

Information is also available concerning efforts of the Government to bring about improvement in quality of butter exports. A rigid system of grade and quality control has been established for butter intended for export. The export dairy industry in Lithuania is largely concentrated in the hands of the "Pienocentras", an association of dairy cooperatives, which enjoys the support and cooperation of the Lithuanian Government. The main function of this organization is to promote the production and exportation of dairy products. This organization exports around 85 percent of the total butter exports of the country.

6. *Aid to the cereals industry.*—The Lithuanian Government, following the example of Latvia and Estonia, has attempted in recent years to guarantee stable and adequate prices to domestic farmers for home-grown wheat and rye. Reference has already been made (see Tariffs) to the tariff duties on wheat and rye. A law, dated November 17, 1930, authorized the Lithuanian Government to purchase wheat and rye from farmers at fixed prices in order to establish a Government grain reserve. These purchases are made through the "Lietukis" (Lietuvos Zemes Ukio Koperatyva Sajunga), a union of the Lithuanian agricultural cooperative societies, which has the backing of the Government.

The basic price paid by the Lietukias for wheat and rye of a specified grade and quality during 1930-31 is reported as having been fixed at 16 lits per 50 kilograms (87.1 cents per bushel) for wheat and 11 lits per 50 kilograms (55.9 cents per bushel) for rye. These prices were for dry and clean grain of a fixed minimum weight per unit. It is also reported that these prices could be increased or decreased, depending on the quality. While the production of wheat and rye constitutes an important phase of the agriculture of Lithuania the country frequently must supplement domestic supplies by imports. It is reported that the subsidies granted by the Lithuanian Government during 1931 included 18,000,000 lits (\$1,800,000) for assistance in one form or another to the grower of cereals, flax, and sugar beets. No information is available, however, as to what portion of this was for aid to producers of wheat and rye.

7. *Export duties.*—On bran and certain grades of flax export duties are levied whose tendency, while restrictive as regards export of the particular products to which they are applied is concerned, is nevertheless beneficial to other agricultural producers in that they serve to insure an adequate supply for domestic consumption. On November 14, 1924, an export duty of 6 lits per 100 kilos (27.2 cents per 100 pounds) was established on wheat bran, the object being to assure an adequate supply of bran for the feeding of livestock. The amount normally needed for this purpose does not leave an exportable surplus. There are no Lithuanian export duties on grains, flours and meal, semolina, grits and groats, other bran, malt, starches, macaroni, or similar products.

In order to improve the quality of Lithuanian flax exports and to secure better prices for the exported product, the Government in 1929 established a Government export flax-control scheme whereby all raw (unworked) flax exported from Lithuania is subject to a tax of 20 lits per 100 kilos (90.8 cents per 100 pounds). This tax applied also to exports of all flax or oakum containing over 15 percent of waste, as well as flax straw. The export tax on waste is fixed at 2 lits per 100 kilos (9.1 cents per 100 pounds). Worked flax (i.e., combed and hackled) and oakum containing not more than 15 percent waste may be exported free of tax. This tax is obviously not a price-bolstering measure so far as the taxed products are concerned; but it should tend to protect and encourage the preliminary processing of the flax within Lithuania and to raise the quality of the exports.

Regulations governing the grading, packing, and inspection of Lithuanian apples for export were also issued, and, effective August 1, 1932, an export duty of 1.50 lits per 50 kilos (14 cents per 100 pounds at par) was placed on

such apples as do not meet the requirements contained in these regulations. The purpose of this measure is to increase the quantity of high-grade apples grown and exported from Lithuania.

MEXICO

Both State and National Governments in Mexico are involved in measures undertaken to support agricultural prices. Such measures have been applied to export crops such as henequen (sisal) since 1912 and fresh vegetables since late 1932. Henequen ranks first among the agricultural exports of Mexico, while fresh vegetables vie with coffee for second place on the list of agricultural exports. Some agricultural products which are both produced in Mexico and imported have received price-raising aid through the medium of import restrictions. Incomplete information at hand as of March 1933 indicated also that the sugar industry had been brought under the control of the Federal Government through a special organization and that quotas would be applied to the new year's production.

1. *Intervention in the henequen industry.*—Government intervention in the henequen industry for controlling supply and influencing prices has been a more or less important feature of the industry from as early as 1912. When the present organ of control, the Cooperative Society of Henequen Producers of Yucatan, was formed in 1925, Mexico was supplying between 75 and 80 percent of the world's exports and held a commanding position in the United States market. From that time on the percentage supplied by Mexico rapidly diminished until in 1930 it stood at 47 percent, both in relation to world markets and to the United States market.

The cooperative society functions practically as a government-controlled semimonopoly in the marketing of henequen, and its activities are bolstered by legislation restricting production. Control is divided between the State Government of Yucatan and the National Government of Mexico. The directing committee of the cooperative society, made up of three counselors, has two members appointed by the State of Yucatan; one of these is the constitutional Governor of Mexico, who acts as president of the council. The National Government exercises control, particularly over the price policy of the society, through the Banco de Mexico, which is the Mexican National Bank, 51 percent of the capital stock being owned by the Government.

The power of control was not delegated to the bank but arose as a result of its credit policy toward the society. The society maintains an open credit account with the Banco de Mexico on which it draws up to three fourths of the amount advanced to growers, giving the bank a mortgage on the henequen received pending the eventual sale of the fiber. Up until the end of 1929 this arrangement worked out satisfactorily, the society not only selling all of its stock and repaying the loans but also building up a reserve of several million pesos. However, the fiber market experienced a sharp decline early in 1930. The cooperative society endeavored to maintain the price of henequen at 8 cents per pound, c.i.f. American ports, and notwithstanding declining prices and increasing stocks, continued to make advances to planters at a level based on the quoted c.i.f. price. As a result the reserve fund was soon depleted. Stocks by the end of May 1930 had mounted to an alarming level and the society found itself unable to finance further purchases. In order to protect its investment the Banco de Mexico took over the control of the affairs of the society. The c.i.f. prices were immediately reduced. Large sales (amounting to about one half of the production during the period covered) were made in August 1930 at 4½ cents per pound for delivery through June 1931. Commencing in 1930, the Government of the State of Yucatan, where some 97 percent of the total Mexican output of henequen is grown, has taken steps to curtail production. When the Bank of Mexico took over control of the affairs of the cooperative society, the Yucatan Government decreed the complete suspension of all production for the months of November and December 1930. From January through March 1931 the production of each planter was restricted to 80 percent of his deliveries during 1929, when production had been at an abnormally low level. From April through June total suspension was again imposed. Production at 80 percent of the 1929 level was resumed in July 1931. On December 29, 1931, the Governor of the State of Yucatan issued a decree extending the 80 percent restriction through 1932.

Practically all of the henequen growers of Yucatan belong to the cooperative society, which purchases the fiber from the planters as produced and manages its storage and eventual marketing. Planters who do not sell through the society must pay a tax in addition to the regular export tax. The price paid the planter is nominally considered as an advance on the final price, and the balance is supposed to be distributed to the planters in the form of dividends.

When production was resumed in July 1931 (i.e., at 80 percent of the 1929 level), prices c.i.f. American ports were quoted at as low as 3 cents per pound. There was considerable fear that the industry would be unable to produce at these prices and that the resulting neglect of the plantations would lead to the disintegration of the industry. However, prices declined still further. A contract with an American firm which normally takes about one half of the total production was closed about the middle of September 1931. The contract provided for the delivery of 150,000 bales by the end of March 31, 1932, at $2\frac{1}{4}$ cents per pound, the lowest price in effect in Yucatan for a long period of years. Meanwhile growers continued to produce at the maximum capacity permitted by law, i.e., 80 percent of their 1929 output. On December 29, 1931, the Governor of the State of Yucatan issued a decree extending the 80 percent restriction through 1932. In March 1932, stocks of henequen in Progreso and Merida were reported as amounting to approximately 309,000 bales, and prices remained very low.

2. *State control of the shipment of fresh vegetables from the west coast.* In November 1932 the State of Sinaloa enacted legislation setting up associations of agricultural producers for the purpose of regulating marketing and shortly thereafter the State of Sonora followed suit. The laws of these two States brought under control the major part of the important west coast vegetable industry which supplies the United States market with tomatoes, green peas, and string beans in the winter and early spring months. The Wells Fargo Express Co. was designated in both states as sole sales agent for all growers and shippers of fresh vegetables. A number of advisory commissions, composed of representatives of the growers, assist the company by daily fixing a quota for the total number of cars which may be shipped into the United States without glutting the market; one of these commissions represents the tomato growers of Sinaloa, one represents those of Sonora, another represents the pea growers Sinaloa, etc. The total state quotas are prorated among the growers by a centrally located state agricultural confederation to which the growers' commissions daily report their total quotas; the daily prorations of the confederations are checked by a separate and distinct Vigilant Body in each State in order to prevent any unfairness in the allotment of individual quotas.

In addition to its marketing control, an association may also impose a limitation on the production of its members, when it believes that the normal crops will result in seriously lowering prices.

Although membership in the associations of agricultural producers is not compulsory, producers who market through them receive certificates with each shipment which are accepted by the state revenue office in lieu of payment of the regular production taxes. Once they have joined, members must market all of their produce through the associations, subject to the jurisdiction of the confederations. Practically all growers have joined the associations.

The legislation setting up these elaborate controls also provided for the establishment of production financing banks to make advances to the producers during the planting and growing season.

Various charges are assessed on the shipment of vegetables from each state. These include commission and office expenses of the express company, maintenance cost of the agricultural confederation, and cost of the production finance bank.

3. *Import restrictions.*—There has been a marked upward trend in the Mexican tariff during recent years, particularly as regards commodities that can be produced in Mexico. Many of the increases have been made by the President, acting under the constitutional powers vested in him by Congress. Among the more conspicuous agricultural items included have been wheat, corn, flour, dairy products, eggs, animal fats and oils, vegetable fats and oils, dried fruit, and fresh fruit. Early in 1933 duties on some of these were as follows (in peso per kilo); wheat 0.10; corn 0.05; olive oil, 0.15 to 0.30; cottonseed oil, 0.20 to 0.25; and lard, 0.23 to 0.35. Details as to these rates and some others will be found in the following table:

Mexico: Import duties as of March 1933

Product	Mexican pesos ¹	Duty including 3 percent surtax ²
	<i>Per kilo</i>	<i>Per 100 pounds</i>
Corn-----	³ ⁴ 0.05	\$0.66
Wheat-----	⁴ .10	1.32
Sugar-----	⁴ .18	2.38
Olive oil:		
Weighing with the immediate container up to 50 kilos (110 pounds):		
In casks of wood or in tins-----	⁴ .20	2.64
In flasks of glass-----	⁴ .30	3.96
Weighing with the immediate container more than 50 kilos (110 pounds)-----	⁴ .15	1.98
In car tanks-----	⁵ .10	1.32
Cottonseed oil:		
In tank cars or tank vessels-----	⁵ .20	2.64
Weighing with the immediate container more than 50 kilos-----	⁴ .25	3.30
Cocoanut grease, crude, weighing with the immediate container more than 50 kilos (110 pounds)-----	⁴ .15	1.98
Lard:		
In tank cars-----	⁵ .23	3.04
In other containers-----	⁴ .32	4.24
Coffee (in berry or milled)-----	⁶ .35	4.63

Compiled from information furnished by the Division of Foreign Tariffs, Bureau of Foreign and Domestic Commerce.

¹ Plus surtax amounting to 3 percent of the duty.
² Conversions into United States currency made on the basis of average exchange for March 1933, 1 peso=28.35 cents.
³ Sacks and bags are included in the gross weight, and are also dutiable separately.
⁴ Gross weight.
⁵ Net weight.
⁶ Per legal kilo.

In March 1931 the importation of all varieties of wheat was prohibited ostensibly for sanitary reasons, but also as a protection against dumping. In August 1931 the embargo was replaced by limited importation subject to the control of the Department of Agriculture. Similarly, a complete embargo was imposed upon corn imports from March to July 1931 for sanitary reasons and was modified by permitting importation (after July 1931) subject to permits issued by the Department of Agriculture.

NETHERLANDS

Generally speaking, the Netherlands has not adopted a policy of high protective duties for agriculture or for other branches of industry. Recently, however, there have been indications that the Government is contemplating a change in its tariff policy. While tariffs have not yet been employed to any considerably extent as an aid to domestic farmers, the Government has intervened in other ways for the purpose of relieving the current agricultural depression. Thus far such Government aid has been given mainly to the producers of wheat, sugar beets, livestock and meats, and dairy products. The measures adopted in behalf of these branches of agriculture have taken the form of restrictions on imports, such as wheat-mixing regulations and import quotas, a subsidy to sugar-beet producers, and outright production control in the case of hogs and pork products, and dairy products. Other measures of relief have also been adopted for the relief of potato-flour manufacturers, vegetable producers, flax growers, and poultry farmers. Complete details as to the latter relief measures, however, cannot be given at this time.

1. *Tariffs.*—Netherlands has long been known as a “free-trade” country. Such duties as were levied were low and were not “protective” duties. Recently, however, there have been indications that she may be on the verge of departing from her traditional policy of moderate free trade. On January 1, 1932, all ad valorem and many specific duties were increased by one fourth as an emergency fiscal measure to expire by limitation on December 31, 1934. This measure placed the tariff at a height where it must, to a certain extent, be regarded as protective. Among the increases in specific rates on bulk goods

were the following (former duties in parentheses): Vegetable oils, .70 (.55) florins per 100 gross kilos, or \$0.13 (\$0.10) per 100 pounds; pork and bacon 7.50 (6) florins per 100 gross kilos, or \$1.37 (\$1.09) per 100 pounds; honey 5 (4) florins per 100 gross kilos, or \$0.91 (\$0.73) per 100 pounds; crackers, yeast, preserved milk, sauces, soups, certain fish and meat extracts and preserves, and unmelted animal fats, 7.50 (6) per 100 gross kilos, or \$1.73 (\$1.09) per 100 pounds.

The same law also provided for other (or further) increases which were to go into effect in the course of 1932, the rates in some cases superseding rate increases already made in the law. Among these increases on bulk shipments were the following: Beef, fresh or chilled, 20 percent ad valorem (10 percent); horse meat, fresh or chilled, 12½ percent ad valorem (10 percent); frozen, salted, smoked, or dried beef and horse meat, as well as other meats, fresh or preserved, and meat products, 7.50 florins per 100 gross kilos, or \$1.37 per 100 pounds. These were formerly dutiable at 6 florins per 100 gross kilos or \$1.09 per 100 pounds. Supplementary devices that have been adopted in the Netherlands during the past year, however, give a clear indication of the trend toward protectionism. These will be discussed under separate headings below.

2. *Wheat and wheat flour mixing and milling regulations.*—The Netherlands early in 1931 adopted a system of wheat-mixing regulations as the central feature of a broader plan of organization of her wheat and wheat-flour industry and trade which enables the Government directly to fix and maintain prices paid for domestic wheat. Legislation authorizing the Minister of the Interior to regulate and control the wheat and wheat-flour trade of the country was passed on February 19, 1931, and is known as "The Wheat Act, 1931." This act provides that the Government may issue regulations regarding the delivery of domestic wheat as well as the composition, transport, storage, and delivery of wheat flour, and may prescribe records to be kept by all those handling it: *Provided, however,* That it does not require wheat flour to be composed of more than 25 percent of that milled from domestic wheat. Subsequent amendments, however, raised this maximum limit until at the present time the Government may require bread flour to contain as high as 40 percent domestic wheat. The law was originally intended to remain in force until August 1, 1934, but the period was subsequently extended to October 1, 1937. Under its general provisions several decrees have been issued, establishing two broad classifications for wheat flour, fixing the amount of domestic wheat that must be present in ordinary wheat flour, setting up a series of organizations for administering the plan, and authorizing the Government to fix prices of domestic wheat.

One of the first decrees issued under this enabling law was the Wheat Decree of 1931, issued on July 2, 1931. This decree classifies all flour handled in the Netherlands as either wheat flour A or as wheat flour B. Flour that complies with the official mixing regulations pertaining to the compulsory utilization of domestic wheat to be issued from time to time by the Government is placed in the A classification. This is the only wheat flour that can be used for ordinary bread baking. The amount of domestic wheat to be used in A flour was fixed on July 8 at 20 percent. This was increased on September 7, 1931, to 22½ percent; on August 8, 1932, to 25 percent; and on February 13, 1933, to 35 percent.

It was recognized, however, that manufacturers of such products as crackers, macaroni, vermicelli, wheat starch, self-rising baking flour, and a number of products extensively consumed in or exported from the Netherlands would require flour of a quality different from that of "A" flour. For that reason all flour used for such purposes has been placed in a B classification. Permits for the utilization of "B" flour must be obtained from an organization known as the "Meele Centrale", discussed below.

The storage, handling, transportation, and use of B flour is subject to the strict supervision and regulation of the Government. The Wheat Decree of 1931 provides that no one can handle B flour except pursuant to instructions and for the account of an incorporated association authorized by the Government to regulate the trade in B flour. This incorporated association is known as the "Meele Centrale" (Flour Central). The management of the Flour Central is made up of 15 members representing all groups of sellers and buyers. It rigidly controls the rationing and distribution of such quantities of unmixed foreign flour as may be required by the domestic pastry manufacturing industry (i. e., producers of crackers, macaroni, vermicelli, etc.), and by those who produce special articles for the export market. This organization

is entirely self-supporting. Instructions have been issued to the effect that while trading in A flour will not be subject to official control, foreign flour can be purchased only against certificates of importation issued by the Flour Central.

In providing for the regulation and control of B flour, article 2 of the Wheat Decree of 1931 specified that no one could stock B flour except on condition that it is to be used (a) to make products for the export trade, (b) to make certain specified products for domestic use and (c) in establishments using in a specified period of time a certain quantity of A flour, in which case both the period of time and the quantity of A flour to be used will be fixed by the Government. The period of time during which the establishments referred to in this last subsection could use B flour, was fixed by the Government on July 8, 1931, at 6 months. The decree of that date (Wheat Order of 1931) also provided that those establishments during the 6 months' period mentioned had to use at least 19 parts of A flour to 1 part of B flour for bread making and 5 parts of A flour to 1 part of B flour for pastry baking. At the present time the establishments using B flour may carry only enough B flour in stock at one time to meet the requirements for a period of 1 month. It has been reported that the formalities prescribed for the use of B flour have proved to be so cumbersome that many bakeries have decided to use only straight A flour without regard to the ultimate quality of their product.

Article 1 of the Wheat Order 1931 dated July 8, 1931, provided that all of the domestic wheat used in the manufacture of A flour must be supplied through the medium of (a) a local wheat organization within whose district the wheat is grown or (b) a central wheat organization both of which have been approved by the Government. This wheat must be purchased at prices fixed by the Government. More will be said about these fixed wheat prices in a later paragraph.

In accordance with article 1 of the above-mentioned order eight provincial organizations, covering all provinces of the Netherlands, have been formed. The purpose of these provincial organizations is to promote the interests of wheat growers in their respective districts and to supervise wheat culture, storage, shipments, and deliveries in accordance with the regulations issued from time to time under the provisions of the wheat act. All farmers wishing to derive advantage from the wheat act have to become members of the provincial organizations. The eight provincial organizations have formed a central body called the "Central Wheat Organization", which is the only recognized seller of domestic-grown wheat in the sense of the wheat act. The organization takes deliveries of domestic wheat from the affiliated members (practically all wheat growers in the Netherlands) of the eight local organizations above mentioned.

The above-mentioned Central Wheat Organization receives as compensation for its activities, a sum from each of its members in proportion to the quantity of wheat delivered. To cover further expenses in connection with the wheat act, 1931, the Central Wheat Organization is required to place at the disposal of the Government a sum not exceeding 0.10 florin (four cents) per 100 kilograms (1.09 cents per bushel at par) of wheat delivered by its members. The exact amount is to be determined annually by the Government. The only expense to be borne by the Government is the salary and expenses of the Government commissioner who supervises the administration of the entire law. A sum of 48,000,000 florins (\$19,296,000 at par) was advanced by the State to cover the initial expenses of the organizations connected with the execution of the wheat act. This advance is to be refunded from the receipts obtained by the local organizations. In short, practically all the expenses of this relief measure are borne by the ultimate consumer.

Another organization growing out of the Wheat Act of 1931, and one directly opposite to the above-mentioned Central Wheat Organization, is the Association of Domestic Wheat Buyers (Vereeniging von Inheemsche Tarive Afnemers), usually referred to as the V.I.T.A. This is the wheat-buying organization of the Dutch flour millers. Its principal purpose, therefore, is to purchase the wheat required for the manufacture of A flour from the above-mentioned Central Wheat Organization. It also sees to it that all of its members participate equally in the extra expenses caused by the wheat act, and to prevent undue competition. All purchases of the prescribed quantity of domestic wheat are made on conditions which are the same for all members. The resources of the V.I.T.A. consist of a commission charged on purchases of inland wheat made by its members.

The average price at which the Central Wheat Organization purchased domestic wheat of the 1931 crop was fixed by the Minister of Interior and Agriculture at 12.50 florins per 100 kilograms (\$1.37 per bushel at par), which is said to have been more than twice the prevailing cost of the best foreign wheat. On the basis of this average price the following prices were established for the various qualities of Dutch wheat sold by the Central Wheat Organization to the V.I.T.A. that year, conversions to American currency being made at par.

Netherlands: Prices paid for the 1931 Dutch wheat crop by the V.I.T.A.

Grade of wheat	Florins per 100 kilos	In United States currency per bushel
Wheat for brown bread, prime quality (white).....	15.85	\$1.73
Wheat for white bread:		
First quality (white).....	14.85	1.62
Second quality (white).....	13.85	1.52
Third quality (white).....	12.85	1.41
First quality (red).....	14.35	1.57
Second quality (red).....	13.85	1.52
Third quality (red).....	13.35	1.46

The above-mentioned policy is still in effect, the prices charged the millers being such that the final returns to growers for all wheat will not be less than 12.50 florins per 100 kilos (\$1.37 per bushel). All domestic wheat is delivered by the growers to the Central Wheat Organization. This organization then sells it to the V.I.T.A. The Central fixes the price at which the V.I.T.A. must purchase such quantities of wheat as the millers are compelled to use under the compulsory mixing regulations. It was recognized that notwithstanding the compulsory utilization of fixed quantities of domestic wheat, some domestic wheat would still have to be disposed of each year on the open market. The Central, however, maintains its selling prices to the V.I.T.A. at a level such that the final average returns to the grower for all wheat delivered to the Central will not fall below 12.50 florins per 100 kilos (\$1.37 per bushel). The money received by the Central upon delivery of wheat to the V.I.T.A. is deposited in a fund from which each grower at the end of the season receives a pro rata payment depending on the quality of his wheat and the time of delivery. This payment is to be such as to assure the grower the final average price, above specified.

The high price guaranteed to the Dutch farmer for the wheat taken up under the wheat act led to a marked expansion in wheat acreage. The total wheat acreage harvested in the autumn of 1932 amounted to 293,000 acres, which was more than double the average wheat acreage before the enactment of the Wheat act. To prevent a continuation of this abnormal increase in the wheat area the government announced in the fall of 1932, when the winter wheat crop was about to be planted, that guaranteed prices for the 1933 domestic wheat crop would be paid only for the wheat grown on one-third of the total area of land cultivated on each individual farm during 1932.

3. *Import quotas.*—On December 24, 1931, a law became effective in the Netherlands, authorizing the Government to restrict imports of any commodity by establishing import quotas for the various articles by periods and by countries, whenever such action was deemed necessary in order to keep imports of such products within normal bounds. A subsequent amendment provided that parliamentary sanction must be secured for any quotas established under the terms of the law. The law is to remain in effect for a period of 2 years.

Under the import quota law each country exporting a commodity subject to quota to the Netherlands receives an allotment proportional to the average imports of that product into the Netherlands during a preceding period of not less than 2 years, the same proportion of quota to previous imports being applied to all countries. The law provides that no imports of a product subject to quota shall be brought into the country unless a license has been obtained by the importer from the Minister of Commerce, Labor, and Industry. A licensing committee was set up to issue the individual licenses to importers on the basis of their import trade with foreign countries during the periods specified.

The law also authorizes the Minister of Commerce, Labor, and Industry to issue regulations concerning the requirements that must be complied with in

regard to certificates of origin for goods subject to quota restriction. Documentary proof of origin of merchandise subject to quota is required in order to assure that no imports in excess of the quota will be made from any of the countries concerned.

The first quota established by the Government in accordance with this law was on fresh, chilled, and frozen beef and veal. This decree, effective from January 16 to April 16, 1932, provided that imports of these products from any country must not exceed 60 percent of the average imports from that country during the corresponding period of the years 1928-30. A fee of 1.50 florins for every 100 kilos (27 cents per 100 pounds) or part thereof is charged for the issue of these licenses. The quota law was subsequently applied to butter, unrendered animal fats, bread and dough of wheat flour, and a number of manufactured products.

4. *Subsidy to the sugar-beet industry.*—The Government of the Netherlands began paying a subsidy to domestic sugar-beet growers during 1931. Recent reports indicate, however, that because of the condition of the treasury, the Government may not be able to continue the subsidy after 1932. This subsidy is paid on a sliding-scale basis. The maximum subsidy that could be paid to growers during 1932 was fixed at 4.50 florins (\$1.80) per metric ton of so-called "guarantee beets."

"Guarantee beets" are considered to be those quantities produced by each grower equal to 80 percent of his average production during the 3 years 1928-30. The subsidy was to be reduced as the price of sugar rose from the basic price of 8.56 florins (\$3.42) per quintal to 12.36 florins (\$4.94) per quintal. It was further understood that in the event the price of sugar increased to 9.73 florins (\$3.89) per quintal, the subsidy would be decreased by 7/10 of the increase in the price of sugar above the base mentioned above. In the event that the price of sugar increased above 9.73 florins (\$3.89) per quintal, the subsidy was to be decreased by 14/10 of the increase above the new base of 9.73 florins (\$3.89) per quintal, plus one half of the sum by which the income from pulp and molasses exceeded 4 florins (\$1.60) per metric ton.

In this connection it should be noted that Java, which is a Dutch possession, is a member of the Chadbourne sugar plan, i.e., the agreement among certain nations for regulating the exportation of sugar. For further details as to the Chadbourne plan, see the discussion under Cuba.

5. *Netherlands plan for relief of the hog producers.*—The emergency hog act enacted in July 1932 in the Netherlands for the purpose of relieving distress in the hog-raising industry in that country aims at both the support of prices and production control. The official texts of the various decrees that have been promulgated since the enactment of the enabling legislation are not available. The basic law of July, however, broadly outlined the methods by which the Government in subsequent decrees would carry out its support of the domestic pig industry. In general, it authorized the Minister of Agriculture to promulgate and enforce such decrees with respect to the marketing of hogs and pork products and the breeding of hogs, as might seem necessary to maintain domestic hog prices at a level that would at least represent the cost of production.

The decision in the Netherlands to legislate in favor of the domestic hog industry grew out of the sharp decline in export values during 1930 and 1931. In view of the important position of bacon in the Dutch export trade, action was deemed necessary especially after the Scandinavian bacon-exporting countries followed the British example of departure from the gold standard. Since the Netherlands continued on the gold basis, the competitive position of Dutch bacon exports to Great Britain, the leading market, became less favorable. French import quotas and advanced German import duties also contributed to the unfavorable position of exports of Netherlands hogs and pork.

(a) *The Netherlands Hog Central.*—Under the mandate provided by the emergency hog act, the Minister of Agriculture set up an incorporated body known as the "Netherlands Hog Central" (Nederlandsche Varkenscentrale) consisting of representatives of the breeders and fatteners of hogs, the exporters of pork products, and other groups of interested parties. The general function of this organization is to enforce all decrees that may be promulgated for the support of the domestic hog industry. The subsequent issuance of such decrees has invested the central with far-reaching powers. Among these are the following: (1) The establishment of a price-stabilization fund; (2) the exclu-

sive right to import and export hogs and pork products; and (3) the enforcement of a system of production control.

(b) *Price stabilization.*—The law provides that all profits made by the Netherlands Hog Central must be deposited in a fund to be known as the "Stabilization fund." This stabilization fund is one of the most important features of the entire plan since all measures of support which the Government may decide to give to the domestic hog industry must be financed out of it. The Government started the fund with an advance of 1,000,000 guilders (\$402,000). This sum, however, was only a loan to be repaid out of the fund at a later date. The main support of the fund is the tax levied on practically all hogs slaughtered in the Netherlands. As above indicated the idea is to raise a sufficient amount to insure a basic hog price which will correspond at least to the cost of production.

The hog slaughter tax is paid at the time of official inspection provided for in the livestock and meat inspection acts of 1919. Those who slaughter hogs in the Netherlands must deposit a certain sum for each hog slaughtered with the local inspection service which, in turn, deposits the total sums received in the above-mentioned stabilization fund. The meat-inspection service has been authorized to refuse certification of live hogs or hog products unless the slaughter tax has been paid. The Minister of Agriculture is authorized to fix and announce periodically the amount of tax covering specific periods. The law stipulates, however, that the amount must always be such that, "including the expenses for the execution of the act, by means of the stabilization fund a basic price may be obtained for the hogs, corresponding as far as possible with the indispensable cost of production."

The tax on hog slaughterings was fixed on August 15, 1932, at Fl. 0.09 per kilo (\$1.64 per 100 pounds) dead weight and was raised on January 15, 1933, to Fl. 0.10 (\$1.82). Hogs slaughtered for consumption by the owner also are subject to tax except in cases where the tax may be adjudged as excessively burdensome. The number of such tax-exempt hogs is limited according to the size of the family and can be exempt only upon the fulfillment of conditions specified by the Minister of Agriculture. It was announced also that in order to hasten the disposal of the surplus of heavy hogs in the country the hog central would "temporarily" refund the tax on hogs weighing 370 pounds or more and not destined for export in the usual form of bacon, but from which "spek" (backs and bellies) is produced for export.

In further support of the action to stabilize domestic prices, the central has been given the authority to impose a tax on imports of hogs and pork products. This tax is in addition to the import duties payable under the customs tariff. While imports of hogs and pork products into the Netherlands are unimportant this feature of the law is nevertheless interesting by reason of the stipulations in regard to the amount of the tax that may be levied upon imports. In this connection the law provides that the tax on imported hogs and pork products must be "fixed in such a way that the differences between the price of pork products in the home market and in the world market are thereby neutralized." As in the case of the slaughter tax, the Minister of Agriculture is invested with the authority of fixing the amount of the tax. The law requires that he announce the same periodically for definitely specified periods. As already indicated, the Netherlands hog central has the exclusive right to the importation of hogs and pork products. The law provides, however, that the central may delegate these functions to private persons or corporations with the approval of the Minister of Agriculture.

(c) *Export monopoly.*—Since one third or more of the total production of pork in Holland is generally exported, the granting of an exclusive export monopoly to the Netherlands hog central places that organization in a predominant position. Early in September 1932 the hog central announced that it would pay 0.30 florin per kilo (\$5.47 per 100 pounds) live weight for hogs of less than 150 kilos (330 pounds) delivered for export. At that time the regular market price ranged from 0.16 to 0.20 florin per kilo (\$2.92 to \$3.65 per 100 pounds) live weight. It was also announced in September that as soon as the central was fully organized it would pay the producers according to quality and slaughter weight. The losses incurred by the central are met through the medium of the stabilization fund. The law specifically provides that among the liabilities of the fund are "the compensations given on behalf of the export of hog and pork products." The law provides further that the central shall make every effort to offer a regular and consistent quality of

pork and pork products to foreign markets. Concentration of exports through the central and payment on a quality basis is expected to help improve the quality of hogs offered for export. On January 15, 1933, the hog central announced that its purchasing price was reduced to 0.28 florin per kilo (\$5.11 per 100 pounds). This action was prompted by the unfavorable outlook for the export trade.

As a result of its monopolization of exports the Netherlands hog central has gained exclusive control over the 25 bacon factories which produce the bacon that is exported from the Netherlands. These factories are under contract with the central on a fixed-price basis. They are guaranteed a return by the central which includes (1) an allowance to cover fixed cost; (2) an amount per kilo of bacon manufactured, and (3) a small amount to cover risk-bearing and profit. Factories are required to deliver for export as ordered. Exports of hogs and pork products are controlled by the central so as to maintain the home market at the highest possible level.

(d) *Production control*.—The success of the foregoing plans for raising and using a stabilization fund hinges largely on the satisfactory application of production control measures. The first step toward control was a complete count of all hogs late in 1932 when the total hog population was placed at 2,735,000 head. It was announced at that time that the central intended to reduce the hog population to about the 1930 level (i.e., 2,000,000 head). It was estimated that at that level the resulting marketable supplies could be disposed of at a profit.

The entire scheme for controlling the production of hogs centers upon a system of earmarking and of penalties for the possession of hogs that are not properly ear-marked. The law provides that the Netherlands hog central, with the assistance of such bodies as it might set up for that and the other purposes, shall place official earmarks on all hogs in the country. To facilitate this earmarking, as well as to expedite all other activities with which it might be invested by law, the central established 11 incorporated bodies known as "Provincial Hog Centrals." The responsibility for earmarking has, by subsequent decree, been given to the provincial centrals. Under this arrangement every farmer who breeds a litter of hogs is obliged to have them marked before they have attained a certain weight.

The production-control phase of this earmarking system arises out of the authority delegated to the Minister of Agriculture to determine periodically and for specified periods the total number of marks to be placed, as well as the number of marks available for the territory of each provincial organization. District or local organizations have been set up under each of the provincial centrals. The number of marks available for each individual pig keeper is determined by these local organizations. In other words, in order to maintain the hog population of the country at the desired level, the total number of hogs which each farmer may present for marking is determined by the local organization. There are from 20 to 100 of these local organizations under each of the provincial centrals. These subsidiary organizations take actual charge of the earmarking. The law provides, that earmarks can only be placed on hogs that belong to members of the district or local organizations. The average local district includes about 350 farms and 3,500 hogs. It was subsequently announced that the total number of earmarks available for the period October 1, 1932, to March 31, 1933, would be restricted to 1,800,000.

The clinching control feature of this plan is contained in the provision of the law which stipulates that the keeping in stock, the transportation, and the marketing of hogs heavier than a live weight to be determined by the Minister of Agriculture is permissible only when the animals are provided with the official earmarks. In other words, the hogs must be earmarked before they reach a certain maximum weight. This weight, by a subsequent decree of the Minister of Agriculture, was fixed at 22 pounds. In effect, the production control feature of the plan provides that no pig in excess of 22 pounds can be stocked or marketed unless it bears the official earmark. A nominal fee of Fl. 0.25 (\$0.10) each is charged for the issued earmarks. Additional marks may be secured upon payment of a very high fee, at present 5 florins (\$2.01) to 10 florins (\$4.02) which usually makes the raising of excess hogs too expensive.

In order to expedite the reduction in the number of hogs in the Netherlands, the hog central announced early in January 1933, that it would purchase during that month a total of 100,000 sucking pigs at Fl. 2 (\$0.80) per head. Suck-

ing pigs were considered as those about 10 weeks old and having a slaughtered weight of roughly 18 pounds each. Arrangements were made between the hog central and the authorities of various large cities for the distribution of these pigs among the unemployed and poor.

Information now available indicates that the central agrees to purchase at a fixed price all hogs delivered by producers in conformity with present or future regulations. The central has designated certain localities for receiving hogs from farmers. The organization maintains a representative in each village of any importance. His main function is to keep the central informed as to the number of hogs to be marketed in his territory, dates of shipment, etc. The farmer must give at least 8 days' notice of shipments contemplated, and is in turn notified upon what date he may ship. If marketings appear excessive the central may delay deliveries.

6. *The Netherlands plan for relief to dairy farmers.*—The Netherlands plan for relief to dairy farmers enacted on June 10, 1932, and effective July 11, 1932, is designed to guarantee Dutch producers of "industrial milk" a price that will come up to the cost of production. "Industrial milk" is the term applied to milk that goes into butter, cheese, condensed milk, milk powder, etc. Farmers selling market milk receive no direct benefit under the act. The law provides for a system of control over dairy products, margarine, and other edible fats and oils whereby, through taxing that part of the factory production entering domestic consumption, a fund is created out of which payments are made to milk producers so as to maintain domestic prices for industrial milk at an artificial level.

Among the main features of the law are the following: (a) It authorizes the Government to set up a central organization to be known as the Dairy Crisis Central for the administration of the law; (b) it authorizes the imposition of a tax on dairy products and on all other edible fats sold for consumption in the Netherlands, for the purpose of establishing a fund with which to subsidize milk producers; (c) it authorizes the Government to require that all margarine sold for consumption in the Netherlands contain a specified quantity of domestic butter, such compulsory percentage not to exceed 50 percent; (d) it authorizes the Dairy Crisis Central to issue so-called "transportation permits" at prices to be fixed by the Minister of Economic Affairs without which butter, margarine and other edible fats cannot be imported or exported. The law is to remain in force until July 1, 1935, at which time it may be extended or dropped.

The Dairy Crisis Central is the organization charged with the administration of the law. This organization was appointed by the Minister of Economic Affairs and Labor. It consists of 15 members and 15 alternatives representing the organized dairy producers, dairy farmers, producers of margarine and other edible fats, dealers, and consumers. The board is presided over by a commissioner appointed by the Government. More specific details as to the actual functions of the central are given in the following discussion of the other features of the act.

An essential part of the operation of the scheme consists in the maintenance of a constant relation between domestic prices of margarine and of butter in order to reduce the risk of a change in demand from butter to margarine in the event of a rise in the price of butter. As a means to this end the act authorizes the Government to require that all margarine consumed in the Netherlands must contain a stipulated quantity of domestic butter not to exceed 50 percent. Such margarine is described as margarine A, as distinct from margarine B, which may be sold only for export and need not contain butter. Regulations were issued in July 1932 prescribing that margarine A (i.e., mixed margarine) must contain a minimum of 25 percent of home-produced butter. This was later increased to 40 percent. The exportation of margarine A is prohibited. Margarine B (i.e., unmixed margarine) cannot be marketed in the Netherlands and must be exported. Its exportation can take place only after the issuance of a transportation permit by the Dairy Crisis Central indicating that official approval has been given for its transportation.

The stated purpose of the dairy crisis act is to guarantee milk producers a price that will cover at least cost of production. In order to accomplish this a fund is to be established out of which so-called "compensatory payments" are to be made to milk producers. The payments are not made direct to the milk producers but to the factory producer of the taxed product, who in turn is obliged to pass it on to the milk producer in the form of correspondingly higher prices for the milk delivered to the factory. The collection and

administration of this fund is intrusted to the Dairy Crisis Central. The fund is established and maintained through the revenues derived from the imposition of consumption taxes and special taxes on imports and exports of fats and oils. The consumption taxes are collected by means of the sale of so-called "certification stamps", which must be attached to all butter, margarine, and other edible fats sold for consumption in the Netherlands. The delivery and sale of butter, cheese, condensed milk, milk powder, margarine, and other edible fats (including lard) is prohibited unless they bear certification stamps. The special taxes on imports and exports are secured by the sale of so-called "transportation permits", applicable to imports of butter, margarine B, and other edible fats, and to exports and reexports of all dairy products and margarine. None of these products can be imported or exported except after the purchase of transportation permits.

The basic law provided that the selling price of these stamps was to be fixed by the Minister of Economic Affairs. For butter, the price of certification stamps was to be such that from the proceeds of their issuance it would be possible to pay milk producers a bonus large enough to bring the price they received for their milk "closely in keeping with unavoidable costs of production." For margarine the price of the stamps was to be such as to maintain a fixed relation between the retail price of butter and margarine. The intent was to maintain the price of margarine at about two thirds that of butter. For a mixture of margarine and butter the price of the stamps was to vary with the butter content. In case the mixing percentage is increased the price of the stamps for mixed margarine is to be reduced. For other edible fats the prices charged for the certification stamps are to be such as to maintain a constant definite relation between the market prices of margarine and other edible fats. It should be noted that butter, margarine, and other edible fats destined for exportation or for reexportation are not subject to the above-mentioned consumption taxes. The law specifically provides that in case products bearing certification stamps are eventually exported the amount paid for such stamps (i.e., the consumption tax) is to be returned to the exporter by the Dairy Crisis Central.

Another feature of the dairy crisis act is that no butter, margarine, or other edible fats and oils can be imported or exported unless the importer or exporter has first secured a so-called "transportation permit." These permits must be purchased from the Dairy Crisis Central. No information is available as to the basis for fixing the price, if any, of the permits applicable to exports. In the case of imports, however, it provided that their price is to be determined by the Minister of Economics in such a manner as "to adjust, insofar as possible, the difference between the domestic and the foreign price of the product concerned. However, this does not apply to raw materials imported for the manufacture of margarine." This tax on imports is in addition to the duties levied under the customs tariff.

As already indicated, the revenues derived from the sale of certification stamps go into the dairy crisis fund. This fund is to serve in the first place to meet the expenses connected with administering the law and the payment of interest on the funds advanced to it by the State. In the second place it will serve to pay a bonus to milk producers who supply milk and cream to registered producers of dairy products or to those milk producers who have themselves converted into dairy products the milk produced on their farms. The individual payments to be made are to be based as nearly as possible on the butter-fat content of the milk and cream delivered.

The certification stamps must be attached to the product (butter, cheese, etc.) at the factory or place of production. The factory or the producer must buy the certification stamps from the Dairy Crisis Central. The price which they pay for the stamps is then added to the price at which they sell the product. As a result, when the product bearing the certification stamp is passed on to the consumer in the Netherlands, he pays a price which is higher than the world market price for the same products. The consumer accordingly bears the full burden of the assistance extended to dairy farmers. If the butter or cheese is made in a factory, the owner of the factory is obliged to pass on to the farmer the entire amount which he receives by reason of the operation of the scheme; and it is passed on to the farmer on the basis of the butter-fat content of the milk or cream delivered. If the butter or cheese is made on the farm by an individual farmer, the inspector of the local butter or cheese control center sees to it that the farmer producer attaches the proper stamps to his product. The price he pays for the certification stamps is re-

turned to him, of course, in the price he receives from the buyer of his product. He eventually receives his share of the allocation of the moneys available in the dairy crisis fund after administrative expenses are deducted.

The consumption tax (the price of the certification stamps) on butter was fixed at 0.42 florin per kilo (7.66 cents per pound) from July 10 to July 30, 1932. This was increased to 0.55 florin per kilo (10.03 cents per pound) for the period July 31 to August 28, 1932. On August 28 it was increased to 0.65 florin per kilo (11.85 cents per pound). It was subsequently further increased and on April 1, 1933, stood at 1 florin per kilo (18.23 cents per pound). The consumption tax on margarine A (mixed margarine) was fixed at 0.15 florin per kilo (2.74 cents per pound) for the period July 10 to August 28, 1932. However, since the consumption tax on butter at that time was 0.55 florin per kilo (10.03 cents per pound during August), and since margarine A had to contain 25 percent butter, the actual tax levied on margarine A worked out at 0.2875 florin per kilo (5.24 cents per pound)—the basic tax of 0.15 florin on the mixed margarine plus a tax of 0.1375 florin on the 25 percent butter content. On August 28, 1932, the consumption tax on mixed margarine was increased to 0.24 florin per kilo (4.38 cents per pound) which, on the basis above described actually meant a total tax of 0.4025 florin per kilo (7.34 cents per pound) for margarine A. No information is available as to the present (May 15, 1933) consumption tax on margarine A.

The immediate effect of the increased consumption taxes on butter and margarine was to raise the retail prices of these products. The second effect was a decline in the consumption of the taxed products and an increase in the consumption of other edible fats, such as melted beef fat and lard⁵ on which no consumption tax was levied. Accordingly, by a decree of October 7, 1932, the Government imposed a consumption tax of 0.35 florin per kilo (6.38 cents per pound) on: (1) all prepared or mixed fats except unmelted animal fat in the natural state, cocoa butter, butterfat, and edible fats of mineral origin; and (2) on all prepared or mixed oils, except those which liquefy at 15° centigrade and have not undergone a hardening process, and edible mineral oils. The same decree placed a consumption tax of 0.70 florin per kilo (12.76 cents per pound) on colored or artificially flavored fats containing mixtures of salt or water or which, through composition, show little or no difference from butter or margarine.

As is apparent from the foregoing, no consumption taxes are levied on unmelted animal fats. In order to prevent an influx of foreign unmelted animal fat a decree was issued on October 6, 1932, providing that during the period from October 1, 1932, to October 1, 1933, the importation of unmelted animal fat is prohibited from any country in excess of the average quantity of such merchandise imported during the 3 years 1929–31. Such imports came mainly from Argentina, Belgium, Denmark, France, Germany, and Great Britain.

In order to make the administration of the Dairy Crisis Act more effective the dairy crisis central has also been authorized to levy special taxes on the domestic production and on imports of milk powder, condensed milk, milk chocolate, and milk meal for infants. Originally the Government levied only a so-called "production tax" on the domestic output of milk powder, but, effective September 15, 1932, a similar tax was levied upon imports of milk powder. By a decree of January 30, 1933, the same tax was also made applicable to imports of condensed milk, milk chocolate, and milk meal for infants. The special import taxes in all instances are payable in addition to the duties levied under the customs tariff. The taxes on the domestic output of milk powder and on imports of milk powder and the other products above mentioned are collected in all instances by means of the sale of "transportation permits", without which the specified products cannot be moved into the channels of trade. These permits, as already indicated, are sold by the dairy crisis central. The exact amount of the tax (i.e., the price of the transportation permits) is determined by the dairy crisis central in such a manner that the butterfat contained in each of these products will bear the same tax as that carried by the butterfat contained in butter under the existing consumption tax on butter. The exact amount of the tax is computed on the basis of the following formula:

$$\frac{(\text{Consumption tax on butter})}{0.84} \times \text{percent of butterfat in milk powder, etc.}$$

By a decree effective April 3, 1933, the domestic margarine industry was ordered to increase the butter content of margarine from 25 to 40 percent.

⁵ Lard, within the meaning of the Dairy Crisis Act, is melted hog fat which is not colored or artificially flavored and does not contain an admixture of salt or water.

This measure was deemed necessary in order to clear excessive stocks of butter on hand and to prevent further accumulation during the spring and summer season when the problem of surplus production was expected to be most acute, particularly in view of the restrictions placed on butter imports in former Dutch markets. In order to encourage the consumption of butter the Government had the alternative of lowering the consumption tax on that product (i.e., 1 florin per kilo—18.23 cents per pound at that time), or of increasing the percentage of butter to be mixed with margarine. Since lowering the consumption tax on butter would have brought about a decline in the flow of money into the dairy crisis fund, the Government decided upon the other alternative and increased the amount of butter to be mixed with margarine.

On April 1, 1933, the dairy crisis central announced that the production of cheese in Dutch factories would be restricted by 30 percent during the months of April, May, and June. The output for the corresponding months in 1931 was taken as the base. This drastic restriction of the cheese output was primarily a direct result of the sharp increase in the German import duty (i.e., from 30 to 60 reichsmarks per 100 kilos (\$2.16 to \$6.48 per 100 pounds), which country normally takes around 40 percent of the Dutch cheese exports. Details of the manner in which production is to be curtailed are not available.

NEW ZEALAND

New Zealand is predominantly an agricultural (pastoral) country, with most of her agriculture on an export basis; hence much of the government effort to assist farmers in getting a better return for their products is concerned with export aid. New Zealand's exports are composed almost entirely of primary products, the largest items being butter, frozen meats, wool, cheese, and hides and skins. Mutton and wool production and dairying are the largest of her agricultural enterprises; and in some districts fruit growing, especially the apple industry, is important. For some agricultural products New Zealand is on an import basis, and on many of these there are tariffs or other import restrictions tending to raise domestic prices.

1. *Control of export trade in principal commodities.*—New Zealand has several export control boards concerned with the overseas marketing of the most important agricultural products of the country. The best known are the New Zealand Meat Producers' Board, the New Zealand Dairy Produce Control Board, the New Zealand Fruit Control Board, and the New Zealand Honey Control Board. These organizations are operated privately by the producers, but in very close cooperation with the Government and partly through the financial support of the Government. Their principal object is to secure a better price for New Zealand agricultural exports by improving their quality, cultivating markets for them, and obtaining orderliness in shipping. Their operations thus include the arrangement of bulk freight contracts, handling at ports, storing, grading for quality, maintaining close contacts with agents and buyers, and exhibiting and advertising of the product. In one instance, namely, in connection with apples, their operations extend even so far as the guaranteeing of minimum prices for exports meeting prescribed standards; though in fact little has had to be paid out by the Government to maintain such prices.

The New Zealand Meat Producers' Board is supported by a levy of 2 pence per carcass of lamb or mutton and 1 penny per quarter on beef. It maintains organizations in New Zealand and in London and spends about £15,000 a year (\$73,000 at par) in publicity and display, mostly in meat-trade shops. This board, dating from 1927, was the first of several established. As set up by the Meat Export Control Act of 1922, the board consists of 8 members, 5 elected by the sheep farmers, 2 appointed by the Government, and 1 elected by the stock and stations agents, who finance many of the farmers. The act provided that "no contract for the carriage by sea of any meat to be exported from New Zealand shall be made, save by the board, acting as the agent of the owners of that meat or of other persons having authority to export that meat * * *." The board has "full authority to make such arrangements and give such directions as it thinks proper for the following matters: (a) for the grading, handling, pooling, and storage of meat; (b) for the shipment of such meat on such terms and in such quantities as it thinks fit; (c) for the sale and disposal of meat on such terms as it thinks advisable; (d) for the insurance against loss of such meat * * *; and (e) generally for all such matters as are necessary for the due discharge of its functions in handling, distributing, and disposing of New Zealand meat." The act further provides that "for the

purpose of enabling the board effectively to control the export, sale, and distribution of New Zealand meat the governor general may * * * prohibit the export from New Zealand of any meat save in accordance with the determination in that behalf of the board." He may also make regulations prescribing the maximum charges to be paid by way of levy on the country's meat exports and any other regulations that may be necessary to make the act effective.

Under the Dairy Produce Export Control Act of 1923 a board was set up to control the sale and shipment of butter and cheese in the interest of New Zealand producers. The board consists of 2 Government nominees, 9 representatives of the suppliers-to-dairy factories, and 1 representative of the manufacturers of dairy produce. It was created in order to bring under centralized control the many farmer-owned dairy factories. Funds for its administration are derived from nominal levies on all butter and cheese exported. The rates as of September 1931 were one thirty-second of a penny per pound on butter and one sixteenth of a penny per pound on cheese (one sixteenth and one eighth of a cent per pound, respectively, at par).

Under the original act the board (known as the New Zealand Dairy Produce Control Board) was given the power to exercise either limited or absolute control over exportation. The marketing organization has assumed various forms ranging from absolute Government control to private initiative on the part of powerful groups of cooperatives. A brief and unsuccessful experiment in absolute control involving price fixing was made in the critical period of 1926-27, but it was followed by a rescinding of the absolute-control provision and a considerable curtailment of the functions of the Government Control Board.

At the present time the board functions mostly as a grading and shipping agency. Butter is graded in New Zealand by Government officials. The board has freight contacts with three separate shipping lines, and the shipment of butter is regulated, particularly as to destination, effort being made to prevent too great a concentration upon a single foreign market and to cultivate new markets. As part of its program of securing better markets, the board spends some £15,000 a year for advertising. When occasion demands, the Dairy Control Board also exerts considerable influence over the methods of manufacturing export products, particularly cheese. Acting upon the advice of the board, the Minister of Agriculture announced in July 1931 that from the beginning of the new export season the Dominion Government would allow nothing but full cream cheese to be exported from New Zealand. Previous standards had permitted a "skim-milk" article to be placed upon the British market, much to the detriment of the New Zealand trade. The board raised the standard by requiring a fat content of over 54 percent of dry matter.

The New Zealand Fruit Export Control Board functions much as the two boards already described, maintaining close contact with the Government and managing the flow of exports of its particular commodity from the country. Toward the close of 1931 New Zealand fruit was paying a levy of 1½ pence a case (3 cents at par) to meet costs of administration of the control regime.

The board has been particularly active in connection with apples. All of the producers exporting apples except the growers in the Otago district participate in the Export Control Board. On exports of the better grades of apples the Government has, since 1927, maintained guaranteed minimum prices, and the board administers this guarantee. The purpose of the guarantee is to encourage improvement in the quality of the apples shipped out of the country. For the extra fancy and fancy grades of the more important varieties of apples a price of 11 shillings a box (\$2.67 at par) on the overseas market is guaranteed. (An earlier guarantee had amounted to 1 penny a pound. The sum of 7 shillings a box (\$1.70 at par) is guaranteed for the extra fancy and fancy grades of the less important varieties and for good grades of all varieties. A single exception relates to Sturmers, on which the guarantee is 11 shillings a box only up to April 30, after which it is 7 shillings a box irrespective of grade. These guarantees apply only to apples shipped on or before May 25, by which time the shipping season normally comes to a close.

The Government guaranty provides little direct benefit to the exporter in the form of a cash return. Amounts paid by the Government for the years 1927-30, inclusive, averaged as follows (converted at par): In 1927, no claims; in 1928, 0.178 cent per case; in 1929, 0.0034 cent a case; and in 1930, 1.76 cents a case. These amounts were derived partly from the 3 cents a case paid by the exporter

to cover the various expenses of administering the control, and partly from Government funds.

The New Zealand Honey Control Board likewise is concerned chiefly with export trade. Honey shipped out of the country pays a levy of one sixteenth of a penny a case (one eighth of a cent at par). The packing and distribution are attended to by one well-known concern of packers and the board provides the necessary advertising. Honey must be forwarded to the grading stores at any one of eight ports for classification prior to export and may be exported only through these ports.

2. *Tariffs*.—New Zealand has high-tariff rates on many agricultural products. For some agricultural products she is on an import basis and hence in a position to use the tariff as a means of supporting prices. This is notably true of wheat, barley, and tobacco. Other products, such as apples, butter, and fresh meats, are on an export basis, making largely nominal any duties levied on them. Still other commodities are duty free, cotton, rice, prunes, and raisins being among these.

With regard to the duties imposed on products which New Zealand both produces and imports, it will suffice to mention as of greatest importance, wheat (and wheat flour), barley, and tobacco. Home-grown barley is protected by a levy of 21 cents a bushel plus a surtax of 22½ percent of the duty on barley imported for the manufacture of beer. Leaf tobacco receives the benefit of a duty amounting to 46 cents a pound (net weight) plus a surtax of 5 percent of the duty.

The duties for both wheat and flour are on a sliding scale which serves both to restrict imports and to stabilize domestic prices. In the case of wheat, when the current domestic value at the port of export to New Zealand is 5s. per bushel of 60 pounds (\$1.22 at par) the duty shall be 8d. (16 cents) per bushel. But when the current domestic value at the port of export to New Zealand exceeds 5s., the rate of duty is decreased by ½d. per bushel (1 cent) for every ½d. or fraction thereof by which the foreign domestic value exceeds 5s. In the opposite case, when the foreign value falls below the stipulated 5s., the New Zealand duty is increased, the amount of change being ½d. in duty for each ½d. decrease in foreign price, the same as above but in the opposite direction. The same sort of sliding scale is applied to wheat flour, including wheat meal and similar preparations of wheat. When the current domestic value at the port of export to New Zealand is £13 (\$63.26) per short ton the duty is £1 12s. (\$7.79) per short ton. But when the foreign value exceeds £13 per short ton, the rate of duty is decreased by 1s. (24 cents) per short ton for every shilling or fraction thereof by which the foreign domestic value exceeds £13. In the opposite case, when the foreign value is below the stipulated £13 per short ton, a compensating increase of equal amount is made in the duty levied. A lower limit is imposed upon the sliding scale of duties on wheat flour by the provision that the current domestic value of wheat flour shall not in any case be deemed to exceed the f.o.b. export cash price thereof by more than £1 5s. per short ton (\$6.08). All the foregoing conversions to United States currency are at par. In May 1933 New Zealand exchange stood at about 36 percent below par.

Some agricultural products, notably certain fruits which are on an import basis for at least part of the year, also receive the benefit of import tariffs. A duty is imposed on oranges amounting to \$1.54 a hundred pounds (net weight) plus a surtax of 22½ percent of the duty. Canned peaches and pears pay a duty of 50 percent ad valorem plus a surtax of 22½ percent of the duty.

On butter, meats, and apples, duties are imposed, but as these products are on an export basis, the duties are nominal. The duties on butter and fresh meats are 45 percent ad valorem plus a surtax of 22½ percent of the duty. The rate on lard and pickled pork is 45 percent ad valorem on the c.i.f. basis. Bacon, hams, and shoulders have a duty of 6.2 cents a pound plus a surtax of 22½ percent of the duty. The duty on apples is \$2.31 a hundred pounds (net weight) plus a surtax of 22½ percent ad valorem. On the other hand, wool, which is one of the most important exports of the country, is on the free list. Agricultural commodities not produced in New Zealand receive varying treatment. Thus there is a duty of 1.15 cents a pound on sugar, but cotton and rice come in free of duty.

3. *Antidumping duty*.—In July 1931 the Minister of Customs published a notice to the effect that the New Zealand antidumping duty would be imposed where applicable immediately upon importation of the offending goods and with-

out further notice. Formerly 3 months notice had been required. Antidumping legislation has been in effect for over a decade. The Minister of Customs is empowered to impose a duty on goods if the actual selling price of the importer in New Zealand is less than their current domestic value in the country of origin, if the selling price is less than the cost of production (including a reasonable profit) in the country of origin or in the country of exportation, or if special concessions have been granted by the exporting country which might be injurious to New Zealand industry.

4. *Sanitary restrictions.*—The sanitary restrictions of New Zealand provide that imported fruit must be accompanied by two certificates of prescribed form, one signed by the shipper and the other signed by an officer of the Department of Agriculture of the country of origin, both certifying that no species of fruit fly is known to exist in or within 1 mile of the orchard where such fruit is grown. Similarly, grapes from the United States or Canada must be accompanied by both shipper's and inspector's certificates guaranteeing freedom from phylloxera and downy mildew. Potatoes must be accompanied by a certificate signed by a responsible (foreign) government official certifying complete freedom from any disease. The entry of pear, apple, or quince trees or any portion thereof is prohibited from any place in North America. To be imported into New Zealand from Great Britain poultry must be accompanied by an import permit issued by the New Zealand secretary in London. The permit is issued when a certificate is furnished from a local veterinary surgeon to the effect that the birds are healthy.

5. *Preferential tariff arrangements.*—In common with the other parts of the British Commonwealth of Nations New Zealand has been an active supporter of the policy of imperial preference. Imperial preference proper was introduced in New Zealand by the Preferential and Reciprocal Trade Act of 1903, which followed the lead given by Canada (see sec. 3, Canada). This act increased the rates of duties on practically all items imported into New Zealand from countries outside of the British Empire but left the duties unchanged on a number of items imported from within the Empire. The list of items on which the preference is granted has subsequently been extended.

In accordance with this policy New Zealand, even before the signing of the recent Ottawa agreements, had negotiated special trade agreements with the other parts of the Empire so as to secure preferences in those markets for the commodities which she produces for export, such as butter, cheese, frozen meats, wool, hides and skins, and fruit. Such agreements had been entered into with South Africa, Canada, and Australia. By those treaties New Zealand farmers secured the British preferential or lower rates in the Canadian market on such products as beef and veal, lamb and mutton, canned meats, prepared and preserved meats, sausage skins, lard, tallow, eggs, cheese, butter, hops, condensed and powdered milk, various field seeds, fresh pears and apples, canned fruits, honey, tobacco, wines, wool, New Zealand hemp (*phormium tenax*), hides and skins, and a number of other products.

In the Australian market New Zealand had been granted rates of duty lower than the British preferential rates on cheese, bacon, ham, and tallow. In South Africa she secured a preference on butter, cheese, prepared cereal foods, hops, and meats (other than bacon and hams). In the mother country she enjoyed the preferences originally granted to all of the countries in the Empire on such products as sugar, dried fruits, tobacco, and hops, and on such products as could be exported to the British market free of duty under the Horticulture Products Act and the Import Duties Act. (See the United Kingdom.)

Although the above-mentioned preferences were of real benefit to New Zealand farmers, they did not give the measure of protection desired, since the bulk of the New Zealand agricultural exports went to the British market, where such important products as butter, cheese, lamb and mutton, beef and pork, eggs, apples, and pears were still permitted free entry. The signing of the Ottawa agreements in August 1932, however, marked the culmination of the long battle for protection in the British market. The concessions extended by Great Britain to New Zealand farmers in the British-New Zealand agreement were of direct benefit to practically all agricultural producers in the country. The sheep owners and other meat interests were protected against competition from outside of the Empire by the establishment of a quota system regulating imports; the dairy interests received tariff protection amounting to 15s. per hundredweight (\$3.26 per 100 pounds at par) on butter, and to 15 percent ad valorem on cheese for 3 years. At the end of that period the

British Government reserves the right either to maintain the existing preferential margins or to bring butter and cheese within some system for the quantitative regulation of supplies. The fruit interests received tariff protection on apples and pears, and the egg producers and honey producers were also granted tariff protection. (For a further discussion of the Ottawa Agreements see ch. VII above.)

NORWAY

Tariffs, special regulations controlling the grain trade through the medium of a State grain monopoly, and the compulsory mixing of Norwegian butter with all margarine sold in the country, are outstanding among the agricultural price-supporting measures employed in Norway.

1. *Tariffs*.—The tendency in Norway since the war has been toward increased tariff protection on agricultural products, and the Norwegian tariff now includes a considerable range of agricultural duties. In general Norway is a deficit producer of most farm products and has to supplement her domestic supplies by imports from other countries. This is particularly true of meats, cereals, flour, fruits, sugar, tobacco, hides and skins, and feedstuffs for animals, which (in addition to coffee) constitute the most important of her agricultural imports. Agricultural exports are relatively insignificant, the bulk of the Norwegian exports consisting of wood and wood products and fish and fish products.

The following tariff rates, in effect late in 1931 and applicable to the United States, will serve to suggest the extent to which agriculture in Norway is aided by customs duties: Apples, \$5.66 per 100 pounds from August to January, inclusive, and \$2.89 per 100 pounds during other months of the year; bacon, \$3.54 per 100 pounds; hams and shoulders, not smoked, including sugar-cured, \$8.49 per 100 pounds; smoked hams and shoulders, \$14.07 per 100 pounds; lard, \$1.42 per 100 pounds; milk and cream, condensed, sweetened, \$2.83 per 100 pounds; evaporated, unsweetened, \$1.12 per 100 pounds; oranges, \$0.18 per 100 pounds; prunes, \$2.12 per 100 pounds; raisins, \$0.76 per 100 pounds; sugar, \$1.90 per 100 pounds. It should be noted that the above rates included surtaxes and other fiscal charges levied as of December 1, 1931. Since January 1932 Norway has levied additional surtaxes on practically all imports. Moreover, the Norwegian Parliament on January 13, 1932, is reported to have increased customs duties by 20 percent on most imports. Among the exceptions are sugar and coffee, on which the increase was only 15 percent.

2. *Regulation of the grain trade*.—The Government of Norway maintained a monopoly for the importation, purchase, and sale of grain and flour as early as May 14, 1917. That law grew out of the war-time food-control and price-fixing measures. It gave the State the temporary but exclusive right to import grain and flour and provided for the purchase by the Government of all rye, wheat, and barley of good quality offered by home producers at the same prices at which the State could deliver imported grain.

(a) *Grain monopoly law of 1926*.—As far as can be ascertained from reports available on the subject the above monopoly was extended from year to year until June 25, 1926, when a new law was enacted. Just how the new law differed from previous legislation is not clear from the meager reports available on the earlier laws. The new law of June 25, 1926, however, gave the State the authority to carry out four general functions: (1) To exercise a monopoly of the import trade in grain and grain products, (2) to exercise a monopoly for the purchase of domestic grain, (3) to exercise a monopoly for the sale of domestic grain, and (4) to pay a direct subsidy to domestic producers of grain for their own use. This law was to go into effect not later than July 1, 1927.

As to importation, the law gave the State the exclusive right to import wheat, rye, barley, and oats and their milling products. It provided, however, that in the case of wheat, rye, and barley, the State could transmit this authority to those who in conformity with the law had received permits to import these products. Such licenses to import were to be granted only to those who had purchased from the State such quantities of domestic grain in ratio to the amount desired to be imported as the State might require. Permits to import oats or its milling products, however, were not to be issued except when certain price conditions prevailed. In the latter regard the law specified that if the Government saw that sufficient Norwegian oats could not be bought, except at prices which were considerably higher than the price of the imported product of equal quality delivered at a Norwegian port with the tariff included, then permits to import specified quantities could be issued.

With regard to acquisition of domestic grain the law authorized the State to purchase at fixed prices all of the domestic crop of wheat, rye, and barley that might be offered by growers within a definitely limited period of time each year. The State purchasing price for first-class wheat, rye, and barley had to be equal at least to the price at which first-class imported grain could be delivered at Norwegian ports exclusive of the tariff. For the lower grades of domestic grain a proportional deduction was to be made in prices. The State prices to wheat, rye, and barley growers were to be the same at all the State warehouses, at each railroad station, and at every stopping place for steamers running on regular schedule. The transportation charges to these places from outlying districts were to be paid by the Government. In regard to the purchase of domestic oats the law specified that the State must purchase each year at least 15,000 tons (1,033,410 bushels) of Norwegian oats, if growers offered that much grain of good quality at the prices established by the Government.

With regard to sale of domestic grain, the law authorized the State to sell the best grades of wheat, rye, and barley to importers of grain and to millers at the price for which the best quality of imported grain could be delivered at a Norwegian port with the addition of the tariff. For an inferior quality of domestic grain a deduction in price was authorized. Moreover, for country mills the price was to be a little lower than for port millers. The decisions in regard to the sale of domestic oats were to be given separately from time to time by the King. The grain selling prices of the State were to be f.o.b. railroad station at point of delivery or at the stopping points for steamers traveling on schedule, whichever is nearest the buyer.

The law of June 25, 1926, also provided for the payment of a subsidy to all Norwegian grain growers who cultivated grain for their own use. When this grain was ground for the use of the grower the State paid him a subsidy of 4 ore per kilogram (about a half cent per pound) which, on wheat, would be about 30 cents a bushel. The subsidy was allowed on not more than 200 kilograms of grain per year for each member of the family and was paid only on certified proof of the grinding at the mill.

In general, therefore, the law of June 25, 1926, authorized the Government to buy domestic grain at world-market prices minus the duty and to sell it to millers at a price which included the duty, the Norwegian farmer benefiting to the extent that he was guaranteed a market for his entire crop at world-market prices, and to the extent of the Government subsidy paid him for growing grain for his own use. The administration of this law was placed in the hands of a State grain office, consisting of five men appointed by the King. Briefly the functions of the State grain office were: To determine the ratio to be maintained between the Kingdom's imports of grain and milling products and the State's purchase of Norwegian grain and to establish regulations for apportioning the State purchases among the importers; to issue regulations regarding the State purchase of grain, including regulations in regard to time, place, and manner of delivery; and, finally, to determine the grades of grain according to quality and to fix the purchase and selling prices for these and the periods for which such prices were to be maintained.

(b) *Grain monopoly law of 1928.*—The monopoly established under the law of 1926 was replaced by a new monopoly organization effective July 1, 1929, embodying many of the features of the previous law. The establishment of the new monopoly was provided for in a general enabling act passed on June 22, 1928. This act gives the State the exclusive right to import and to export wheat, rye, barley, and oats; authorizes it to take over any commercial mill in Norway; and requires the monopoly to purchase at fixed prices all of the domestic-grown wheat, rye, barley, and oats offered to it by growers. The King or his authorized representative is authorized to issue such special regulations from time to time as are deemed necessary to carry out the intent and purpose of the act. The entire grain trade of the State is managed by a director and a council. The former is appointed by the King and the latter, consisting of seven members, by Parliament. The director manages the daily grain operations of the State under the general supervision of the council. In brief, it may be said that the present grain monopoly was established to enable the Norwegian farmer to receive more for his grain than the world price and yet allow the necessary large quantities of grain and flour to be imported duty free.

The law of June 22, 1928, provides that the grain monopoly shall purchase all of the domestic-grown wheat, rye, barley, and oats offered to it by producers. Payments for first-quality grain must be at a price corresponding to the retail

price for milled products maintained by the monopoly. For inferior quality grain a deduction may be made in the price. The purchases are affected through the medium of regional purchasing agencies which buy for the account of the monopoly. The prices paid by the monopoly are supposed to be the same at all delivery points, such as milling establishments, storehouses, railway stations, or coastwise loading points. However, if the grain has to be transported for more than 20 kilometers (12.5 miles) the producer receives an additional 5 ore per 100 kilograms (0.36 cent per bushel in the case of wheat) for every kilometer beyond 20 kilometers. The monopoly provides the sacks for the transportation of the grain. If the monopoly does not take delivery of the grain from the purchasing agent within 1½ months from the date of the contract, it must pay the cost of storage until such time as delivery is requested.

The grain monopoly sells its stocks direct to consumers, to flour mills, or through wholesale flour dealers. The law provides that retail prices must be fixed according to the principle that the monopoly shall bear its own expenses and at the same time give a reasonable profit. The profits derived from the activities of the monopoly are to be used "to provide for a price-regulating fund, operation fund, or other funds, and for necessary establishments and expansion, or otherwise for the promotion of the activities of the grain monopoly." The law also provides that the sale of stocks by the monopoly must be made at the same prices to all purchasers.

In summarization, the monopoly guarantees a market for Norwegian-grown grain at fixed prices, the difference between these prices and world prices being covered by the prices charged consumers for flour. The monopoly has the exclusive right to import and export grain and grain products. Imported grain and grain products are purchased by the monopoly at world-market prices. The millers act only as agents of the monopoly and receive a fixed amount from the monopoly for the grain they mill. All purchasing and selling prices are controlled by the monopoly.

The following tabulation gives the prices which the State monopoly paid for Norwegian grain during the 1929-30, 1930-31, and 1931-32 seasons:

Norway: Prices paid for domestic grain by the State monopoly

Period	Prices in kroner per 100 kilos				In United States currency per bushel			
	Wheat	Rye	Barley	Oats	Wheat	Rye	Barley	Oats
1929-30: ¹								
Sept. 16-Oct. 24.....	26.25	21.00	19.50	17.00	\$1.91	\$1.43	\$1.14	\$0.66
Oct. 25-Nov. 24.....	25.00	20.00	18.50	17.00	1.82	1.36	1.08	.66
Nov. 25-Dec. 5.....	23.50	19.50	18.25	16.00	1.71	1.33	1.06	.62
Dec. 6-Jan. 13.....	24.50	20.00	18.50	16.00	1.79	1.36	1.08	.62
Jan. 14-Jan. 30.....	24.50	20.00	17.25	16.00	1.79	1.36	1.01	.62
Jan. 31-Mar. 1.....	23.75	18.00	16.25	15.00	1.73	1.23	.95	.58
Mar. 2-Mar. 17.....	23.00	17.25	15.25	14.00	1.68	1.17	.89	.54
Mar. 18-May 22.....	22.25	16.50	14.50	13.00	1.62	1.12	.85	.51
May 23-June 1.....	21.75	15.50	14.00	13.00	1.59	1.06	.82	.51
1930-31: ¹								
Sept. 1-Sept. 16.....	20.75	14.25	13.50	13.00	1.51	.97	.79	.51
Sept. 17-Oct. 20.....	20.00	13.50	13.50	13.00	1.46	.92	.79	.51
Oct. 21-Nov. 11.....	19.00	12.50	12.50	12.00	1.39	.85	.73	.47
Nov. 12-Nov. 23.....	18.50	12.50	12.00	12.00	1.35	.85	.70	.47
Nov. 24-Jan. 1.....	18.50	12.50	12.00	11.00	1.35	.85	.70	.43
Jan. 2-Apr. 7.....	17.00	12.50	12.00	11.00	1.24	.85	.70	.43
Apr. 8-May 30.....	16.25	12.50	12.00	11.00	1.19	.85	.70	.43
1931-32: ²								
Sept. 5-Oct. 11.....	14.75	12.00	12.00	12.00	1.00	.76	.65	.43
Oct. 12-Nov. 3.....				13.50				.43
Nov. 4-Jan. 7.....	16.00	13.00	13.50	14.50	.88	.66	.59	.42
Jan. 7.....	16.50	14.50	14.75		.84	.69	.60	

¹ Converted to U. S. currency at par of exchange—i.e., 26.8 cents to the krone.

² Converted to U.S. currency at average of daily exchange rates during specified periods.

3. *Mixing of Norwegian butter with margarine.*—A measure designed to facilitate the marketing and consumption of butter was enacted in Norway on June 24, 1931. The law, which did not go into effect until November 1, 1931, required that all margarine manufacturers and importers add as much locally

made butter or butter fat per 100 kilos to imported margarine and to the margarine manufactured in Norway as the Department of Agriculture should determine from time to time. Margarine made for the export market, however, was not subjected to this obligation. The addition of the required amount of domestic butter to imported margarine has to be done before the product is released to the trade. Importers must notify the Department of Agriculture when the blending is to take place.

The actual amount of butter to be mixed in margarine will be determined at quarterly intervals by the Agricultural Department so that all Norwegian butter for which there is no other market may, as far as possible, be disposed of and used with margarine. However, in seasons of large production it is expected that some storage of butter will take place to avoid any period of scarcity during a period of low production. The amount of butter to be used in this way will be controlled on the basis of 3-month periods in such a way that for each 100 kilograms of margarine the factory or importer shall purchase the amount of Norwegian butter which answers to requirements. Quarterly reports are to be sent to the Department of Agriculture giving the figures for manufactured, imported, and exported margarine and purchase and consumption of Norwegian butter. The exact amount of butter to be mixed with the margarine is announced in special notices at least one month before going into effect.

The grade of butter desired may be specified by the buyer, but, in general, encouragement is given to the use of the cheaper grades of butter for mixing with the cheaper grades of margarine. Cream may be used in place of butter, but in that case the butterfat content must correspond to the same percentage as if butter were used. If whole milk is used in the manufacture of margarine, the fat content of such milk may not be counted as part of the butter requirements.

Effective November 1, 1931, the Norwegian Ministry of Agriculture ordered that manufacturers and importers of margarine should purchase a quantity of Norwegian butter corresponding to 2½ percent of the margarine which they manufacture or import. On February 15, 1932, the amount of butter that had to be purchased by manufacturers and importers of margarine was raised to 3½ percent. This was increased to 5 percent on November 1, 1932, and to 7 percent on March 1, 1933.

4. *Government encouragement of marketing facilities.*—Great efforts have been made during the last three years to organize the marketing of agricultural produce by cooperation and the maintenance of definite standards of quality. The home market continues to be of primary importance, but it has also become desirable to find an outlet abroad for surplus production, and hopes have been entertained of securing a foothold in the United Kingdom.

As a first step there was established in Oslo in October 1929 a cooperative association known as "Norske Eggcentraler" to deal with the marketing of eggs, and from March 15, 1930, the Ministry of Commerce, under powers conferred by a law of August 8, 1924, introduced regulations providing for the control of butter and cheese intended for export.

On June 6, 1930, a temporary law was passed with the object of promoting the marketing of bacon, milk, cheese, and butter. This law, which was brought into effect on January 30, 1931, provided for the establishment of a marketing council, whose duty it is "to collect and coordinate the necessary material and to submit proposals for the marketing of bacon, milk, cheese, and butter by cooperation." In order to provide funds, which are to be administered by the council, the Crown was empowered to impose a marketing tax on milk and bacon.

A tax of 0.2 öre per liter (0.51 cents per quart at par of exchange) was consequently levied from March 1, 1931, to February 29, 1932, on all milk sold direct by producers to dairies, cheeseries, milk-condensing factories, and milk dealers. By a royal resolution of July 24, 1931, this tax was extended from August 1 to milk sold direct to consumers, the proceeds being applied to equalizing the difference in price between it and milk sold for manufacturing purposes. From March 1, 1932, the tax has been raised to 0.25 öre per liter (0.63 cents per quart).

By a royal resolution of March 13, 1931, a tax of 1.50 kroner per whole carcass and 75 öre per half carcass (40 and 20 cents, respectively) was imposed on all carcasses of pigs passing through a public meat control institution between May 1, 1931, and April 30, 1932, and it was subsequently decided that the same tax would be levied for the year beginning May 1, 1932. An organiza-

tion of bacon producers was founded on June 15, 1931, under the name of "Norges Fleskecentral", and with the aid of loans from public funds, which are eventually to be repaid from the tax on totalisator betting, export slaughter houses for bacon are being constructed at Oslo and Stavanger.

The temporary law of June 6, 1930, was replaced on June 24, 1931, by a new temporary law in which eggs were added to the list of products concerned, but it has not yet been possible to devise a scheme for collecting a marketing tax on eggs.

5. *Price equalization system for dairy products.*—During 1931 there was established in Norway a system of price equalization in the dairy industry, based on the maintenance of a considerably higher price for milk sold for direct consumption as fresh milk than for milk sold to factories. The system is operated through a national cooperative organization representing approximately 97 percent of the milk producers in the country. Thus far the system has been successful in meeting the problems resulting from the increase in milk production in recent years which, in turn, has resulted in Norway changing from an importer to an exporter of dairy products. In spite of an export surplus, the price of butter and cheese in Norway has been maintained at approximately the world price plus the import duty, while the price of milk in the cities has been kept at a much higher level than the price of butter and cheese would seem to warrant. The two main features of the plan are (a) a system of equalization fees whereby the dairies selling milk for direct consumption pay a certain fee per liter of milk into a central fund from which the dairies manufacturing butter and cheese receive a certain compensation; and (b) a system of exporting the surplus of butter and cheese through a cooperative association, the expenses and losses of which are paid from the proceeds of a turnover tax on all milk.

POLAND

Government intervention in support of prices of agricultural products has been an outstanding feature of Polish economic policy. More industrialized than most of the other members of the eastern European "agrarian bloc", Poland is nevertheless predominantly agricultural, 65 percent of her population being engaged in farming. The major part of the country's exports consist of agricultural products, the most important of these being pork and pork products, eggs, sugar, butter, rye, barley, bran and fodder, cattle, peas, beans, flax, seeds of all kinds, and in recent years wheat; but she is on an import basis for cotton, wool, tobacco, hides and skins, lard, corn, many fruits and nuts, and, of course, for such tropical and semitropical crops as rice, tea, coffee, etc.

The measures which Poland has adopted in support of prices of home-grown products include, therefore, both import and export regulations, such as tariff duties, import quotas, export premiums, various devices for improving the quality of exported products in order to promote the sale of Polish products abroad, and membership in the international sugar agreement (Chadbourne plan) limiting exports of sugar from the chief sugar exporting countries. Until recently she collaborated with Germany to control the bulk of the European rye exports in order to favor producers with a better price.

1. *Tariffs.*—The customs policy of the Polish Government since the independence of the Republic was established in 1918, has been distinctly protectionist. A temporary customs tariff was enacted into law on November 4, 1919, and became effective in January 1920. The main outlines of this tariff law consisted in the protection of local industries (both agricultural and industrial) and in the import free of duty of essential raw materials and of a certain number of goods which could not be produced in Poland. In view of the steady depreciation in the exchange value of the Polish mark, frequent changes were made in the duties in subsequent years. Such changes consisted not only in actual increases in the basic rates but more frequently in the application of so-called "depreciated-currency surtaxes", by which the basic rates of the customs tariff of 1919 were multiplied, in order to overcome the continued fall in the exchange value of Polish currency. On January 1, 1924, the Polish duties were placed on a gold basis so as to make them independent of the fluctuations of exchange. With the introduction of a new currency in Poland the duties became payable in zlotys.

The second Polish customs tariff was enacted on June 26, 1924. This law was also definitely protective in character. It still remains as the basic tariff law of Poland, although there have been frequent upward revisions in the rates

of duty since that time, particularly during and since 1928. This upward revision has affected a long list of agricultural products. An enumeration of some of the more recent revisions will serve to indicate the extent to which tariffs have been utilized by the Polish Government for the protection of domestic producers.

On March 6, 1931, the duties were increased on rye, barley, oats, wheat, and all kinds of flour. For example, the duty on rye was increased from 11 to 17 zlotys per 100 kilograms (\$0.31 to \$0.48 per bushel, conversions at par); on wheat from 17.50 to 25 zlotys per 100 kilograms (\$0.53 to \$0.76 per bushel); on rye flour from 16.50 to 25 zlotys per 100 kilograms (\$0.84 to \$1.27 per 100 pounds) and on wheat flour from 25.50 to 37 zlotys per 100 kilograms (\$1.30 to \$1.88 per 100 pounds). Again on May 8, 1931, the duties were increased on a long list of animal and vegetable fats and oils and oleaginous raw materials. On November 20, 1931, the duties on fresh and salted bacon were increased from 80 to 160 zlotys per 100 kilograms (\$4.06 to \$5.08 per 100 pounds); on lard from 100 to 200 zlotys per 100 kilograms (\$5.08 to \$10.16 per 100 pounds); on smoked bacon from 120 to 240 zlotys per 100 kilograms (\$6.10 to \$12.19 per 100 pounds); and on margarine and artificial edible fats, from 100 to 200 zlotys per 100 kilograms (\$5.08 to \$10.16 per 100 pounds). It was provided in the case of bacon and lard, however, that imports could be brought in under the previously existing lower rates of duty under special permits granted by the Ministry of Finance.

A recent development in the Polish tariff policy has been the imposition of lower duties on goods imported by sea than when imported over a land frontier. Thus, for example, the duty of fresh apples was reduced on January 14, 1932, from 258 to 200 zlotys per 100 kilograms (\$13.11 to \$10.16 per 100 pounds) provided they were imported through the Polish ports of Gdynia or Danzig, but were increased to 300 zlotys per 100 kilograms (\$15.24 per 100 pounds) when imported through any other port. Poland also has a conventional rate on fresh apples. This rate is applicable to apples imported from the United States. The lower conventional rate was not changed and remains at 32.50 zlotys per 100 kilograms (\$1.65 per 100 pounds) for boxed or so-called "fancy" apples, and at 18 zlotys per 100 kilograms (\$0.91 per 100 pounds) for barreled apples. It should be noted that fresh apples can be imported into Poland only from November 1 to April 30, inclusive, and then only under a permit from the Ministry of Finance (see sec. 2).

Effective January 14, 1932, Poland removed raw cotton from the free list and imposed a tariff of 45 zlotys per 100 kilos (\$2.29 per 100 pounds) on imports of that commodity. However, under a special permit from the Ministry of Finance, and if imported via the Polish port of Gdynia, the duty is to be reduced to 1 zloty per 100 kilos (\$0.05 per 100 pounds). Likewise, under permit from the Ministry of Finance, imports of cotton through any other customs point may be admitted up to December 31, 1932, at 1 zloty per 100 kilos (\$0.05 per 100 pounds); from January 1 to December 31, 1933, at 6 zlotys per 100 kilos (\$0.30 per 100 pounds); and from January 1, 1934, onwards at 12 zlotys per 100 kilos (\$0.61 per 100 pounds). The major purpose of the duty on raw cotton is to keep cotton importing firms in the Spinners Cartel. The secondary purpose is to force the import of cotton by direct sailing to the new port of Gdynia. For many years Polish mills have imported American cotton almost exclusively through Bremen, financed for the most part either by German intermediaries or London banks. In the future it is hoped to effect direct imports by way of Gdynia.

In addition to the import duties Poland levies a so-called "customs manipulation tax" payable on goods imported into or exported from Poland. Effective January 14, 1931, this tax on ordinary commercial shipments was increased from the previously existing tax of 10 percent to 20 percent of the duty. The manipulation tax on parcel post and express shipments remained unchanged at 20 percent of the duty. The special rates, minor in amount, which are collected as manipulation tax upon importation of duty-free shipments and of shipments for temporary free admission, were also doubled.

In view of the steady growth in the industrialization of Poland, and the progressive unification of Polish territory economically, the creation of a new customs tariff fully covering present economic needs became imperative. Since 1926 the Polish Government, through specially appointed committees representative of all interests in Poland, has been constantly working upon a complete revision of the customs tariff. The text of this law was submitted to

the Polish Council of Ministers on July 8, 1932, and it was signed by the President of the Republic on August 23, 1932. The new law will go into effect on October 11, 1933. The duty rates in the new tariff are highly protective and many of them are designed to be prohibitive. In this connection it has been officially explained that apart from the protective feature of the new rates, considerations of national organization and defense influenced their establishment. It was also pointed out that in order to secure effective instruments for aggressive trade promotion in foreign markets and to counteract dumping and various import and exchange restrictions, the new duties were placed high enough to meet existing and probable future emergencies. All of the duty rates are autonomous, from which conventional reductions will be accorded to treaty countries. The Polish Government is now negotiating for the revision of its commercial treaties so as to bring them into conformity with the duties of the new act.

2. *Import licenses and contingents.*—The most drastic step that can be taken in restricting import trade is to prohibit it. The import contingent or quota in practically all countries where it is used prohibits the importation of the commodity to which it is applied beyond a specified volume. The quantity that may be imported is in most cases based upon the quantity imported during some specified previous period. Poland has been applying this system of controlling imports for several years. In all cases where imports have been thus curtailed by the Polish Government, importers have been required to secure import licenses from the Polish Ministry of Commerce and Industry. In that way all imports in excess of the quota established for each country and commodity have been prevented.

Although in force in Poland for some commodities for several years, a more comprehensive application of the import contingent system was established by a decree of December 29, 1931, effective January 1, 1932. The decree of that date announced that the existing world economic crisis had forced the Polish Government to safeguard the vital interests of the country by imposing "temporary but absolute prohibitions" on the importation of cereals and pulse; flour and meal, groats, and malt; potato flour, starch, vermicelli, macaroni; vegetables and potherbs; fresh, salted or boiled fruits (except fresh lemons, oranges, tangerines, grapes, and pineapples), and berries; all prepared fruits and berries; hops; fresh or salted sausage casings; raw hides and skins; certain vegetable oils; condensed milk; and a long list of manufactured products. These restrictions became effective on January 1, 1932, except that they were not to affect goods shipped directly to Poland before January 1 and cleared by the Polish customs before January 30, 1932, or goods which were already in bonded warehouses in Polish customs territory on January 1, 1932. The reason for the establishment of the above general prohibition of imports was said to be the desire to compensate for losses inflicted on Polish foreign commerce by recent trade restrictions enacted in some of Poland's important export markets.

In connection with the decree of December 29, 1931, it was announced that permits would have to be secured for the importation of any article into Poland, but that the absolute prohibition on the commodities above mentioned would remain in effect until conditions enabled the Government to establish import contingents permitting the importation of limited amounts of the commodities on the prohibited list. Such contingents, as far as American products are concerned, were subsequently established by special decree for specified months for fresh apples and sausage casings and for certain manufactured products. In each case it was provided that the value of the imported articles had to be balanced by exports of specified Polish products to the United States. Moreover, the exportation of the Polish products had to take place whenever possible before the importation of the American articles, and in any case not later than 3 months after importation. In the event of importation before exportation of specified Polish products, the importer is required to place a deposit amounting to 20 percent of the value of the imported article to the account of the Polish Chamber of Industry and Commerce as security.

3. *Export bounties in the form of import certificates.*—Since early in 1929, when the policy was inaugurated on exports of hams and bacons (although previously in effect on some exports of industrial products), Poland has maintained on various agricultural products a system of import certificates similar in many respects to that in Germany. The Polish system provides for the issuance of so-called "negotiable customs receipts" on the exports of certain

products. These customs receipts are given a fixed value and in some instances can be used by the holder in the payment of the regular customs duties on a wide range of imported merchandise, and in other instances are directly redeemable in cash upon presentation at specified customs offices. This policy establishes a practical subsidy to exporters of such commodities as hams and bacon; salted, pickled, dried, smoked, and preserved meats and lard; fresh or frozen beef, pork, mutton, and veal; rye, barley, oats, wheat, flour, malt, and butter.

The above plan in Germany and other countries where it is utilized is generally known as the "import certificate system." In Poland, however, it is called the customs certificate system. The Polish system differs from that in Germany mainly in the fact that the certificates issued on exports from Poland are acceptable in payment of duties on imports of a wider range of products, while in Germany they can be used in each instance only in the payment of the import duty on a definitely specified product. Moreover, the certificates in Poland in some instances have been made redeemable in cash instead of being used for the payment of import duties. This direct cash export-bounty feature has not been applied in Germany.

The Polish customs certificates are issued by the customs offices under the general direction of the Polish Minister of Industry and Commerce. The latter is authorized to make certain that the certificates are issued only to firms that conform to specific regulations in the processing, grading, standardization, and packing of their product. A decree of January 24, 1929, establishing the system of customs certificates for exports of hams and bacon, specified that these certificates would be issued only to exporters who could present to the customs officials a special authorization from the Ministry of Industry and Commerce and that the latter would issue such authorizations only to firms which complied with the official regulations as to manufacture, methods of grading, and standards, packing, etc.

This qualification has remained in effect continuously since that time. In fact, it is the main instrument utilized by the Polish Government to bring about the adoption of modern methods of manufacture, processing, grading, standardization, and packing. Not only are the exporters who comply with the official instructions as to manufacture, grading, standardization, and packing given a premium on exports, but those who do not abide by these regulations are penalized by an export tax (see sec. 4 below). Moreover, the Ministry of Industry and Commerce was authorized to permit the issuance of customs certificates only to firms that guarantee that they will not resort to cutthroat competition in the foreign market. Another limitation is that the certificates may be issued only to exporters located in districts where production and trade in the specified commodity are centralized.

The following paragraphs contain a discussion of the evolution of the import-certificate system in Poland as applicable to agricultural products. The discussion is treated on a commodity rather than on a strictly chronological basis, beginning with hams and bacon and including, in order, the application of the system to various meats and meat products, to cereals and flour, and to butter.

(a) *Certificates on meats.*—The original value of the negotiable "customs receipts" issued on exports of hams and bacon was fixed at 15 zlotys per 100 kilos (\$0.76 per 100 pounds) by a decree of January 24, 1929. A series of three decrees issued on August 28, 1931, materially revised and expanded the "customs-certificate" system in relation to meat and meat products. The first decree of that date increased the value of the "customs certificate" issued on exports of bacon and pickled hams to 20 zlotys per 100 kilos (\$1.02 per 100 pounds), and on smoked and hermetically packed ham to 25 zlotys per 100 kilos (\$1.27 per 100 pounds). This decree also introduced a new feature in that the "customs receipts" issued upon exports of these products were made redeemable in cash upon presentation at the customs offices in Warsaw, Poznan, and Lwow, instead of being applicable only in the payment of tariff duties on imported merchandise. Such certificates were valid for a period of 1 month from the date of issue. Thus exporters of hams and bacon were given an outright cash bounty upon exports.

The second decree of August 28, 1931, established the "customs-certificate" system for exports of salted, pickled, smoked, dried, or preserved meat products (whether or not packed in cans) and for salted or smoked fatbacks and lard. The value of the certificates for these products was fixed at 25 zlotys per 100 kilos (\$1.27 per 100 pounds). It was stipulated, however, that the "customs

certificates" issued upon exports of this group of commodities could be used only in the payment of import duties. In other words, they were not redeemable in cash, as in the case of some other products. The third decree of the same date established the system for exports of fresh, salted, or frozen pork, veal, mutton, and beef. The value of the certificates issued on the exportation of the latter products was fixed at 10 zlotys per 100 kilos (\$0.51 per 100 pounds). This third decree also stipulated that the "customs certificates" would not be redeemable in cash and could only be used by the holder in the payment of duty on imported articles. The certificates issued under the second and third decrees above mentioned are drawn to the bearer and are valid for the payment of import duties for 9 months from the date of issuance.

Several changes have been made since August 28, 1931, in the values of the "customs certificates" issued upon exports of bacon and pickled hams and salted and pickled meat products. Thus the value of the "customs receipts" issued upon exports of bacon and pickled ham (which are redeemable in cash) was increased by a decree of January 18, 1932, effective from January 25 until April 20, 1932, from 20 to 25 zlotys per 100 kilos (from \$1.02 to \$1.27 per 100 pounds). A decree of April 22, 1932, effective from May 1, 1932, to July 31, 1932, however, reduced these cash premiums on exports of bacon and pickled hams from 25 to 20 zlotys per 100 kilos (\$1.27 to \$1.02 per 100 pounds). The cash premium on smoked hams, whether or not packed in air-tight containers, was left at 25 zlotys per 100 kilos (\$1.27 per 100 pounds), as provided for in the decree of August 28, 1931. A decree of April 22, 1932, and effective May 1, 1932, reduced the value of the certificates issued on exports of salted and pickled meat products (which are usable only in the payment of import duties) from 25 to 20 zlotys per 100 kilos (from \$1.27 to \$1.02 per 100 pounds). The value of the certificates issued on exports of smoked, dried, and preserved meats (whether or not packed in cans), and on salted or smoked pork fat, and lard (which are also usable only in the payment of import duties) was left at 25 zlotys per 100 kilos (\$1.27 per 100 pounds) as provided for in the first decree of August 28, 1931.

(b) *Certificates on grain.*—A decree of November 6, 1929, had established the negotiable export certificate system for certain grains, to be in effect from November 16, 1929, to April 15, 1930, the value of the certificates on exports of grains made during that period being fixed as follows: Oats and barley, 4 zlotys per 100 kilos (\$0.06 and \$0.10 per bushel, respectively); wheat and rye, 6 zlotys per 100 kilos (\$0.18 and \$0.17 per bushel, respectively), and on all kinds of flour, 9 zlotys per 100 kilos (\$0.46 per 100 pounds). This decree of November 16, 1929, also provided that the export certificates granted on exports of wheat, rye, oats, barley and on all kinds of flour, would be redeemable in cash, instead of being applicable in the cancelation of import duties. Thus, the Polish Government has been paying an outright cash bounty on the exports of grain and flour. The actual amount of the bounty has been revised from time to time as will be indicated in the following paragraphs. (See also sec. 5, Control of Grain Trade.)

In a decree dated July 31, 1930, the period for which these export certificates on grains and flour would be issued was extended to October 31, 1930. The same decree increased the premium, i. e., the value of the export certificate, on flour exports during the period July 31 to October 31, 1930, from 9 to 12 zlotys per 100 kilos (from \$0.46 to \$0.61 per 100 pounds). A decree of September 29, 1930, effective November 1, 1930, again extended the issuance of the certificates on grain and flour exports until further notice and fixed the premium or values of the certificates as follows: On barley, 4 zlotys per 100 kilos (\$0.10 per bushel); on wheat and rye, 6 zlotys per 100 kilos (\$0.18 and \$0.17 per bushel, respectively); on flour without bran, 12 zlotys per 100 kilos (\$0.61 per 100 pounds); on other flour, 9 zlotys per 100 kilos (\$0.46 per 100 pounds); and on barley groats and malt, 12 zlotys per 100 kilos (\$0.61 per 100 pounds). The decree also provided that 2 months' notice would be given prior to the termination of the payment of any of these premiums. The value of the export certificate issued on flour exports was reduced by a decree of January 15, 1931, effective May 6, 1931, as follows. On bolted flour, from 12 to 10 zlotys per 100 kilos (from \$0.61 to \$0.51 per 100 pounds), and on other flour from 9 to 8 zlotys per 100 kilos (from \$0.46 to \$0.41 per 100 pounds). Recent reports indicate that Polish millers feel that these export premiums on flour do not suffice to make exportation profitable and higher export premiums are being demanded on the ground that a decline in flour exports will react unfavorably on domestic prices of wheat and rye.

(c) *Certificates on butter.*—By a decree of September 20, 1929, effective November 1, 1929, the issuance of similar certificates was authorized for exports of properly prepared and graded butter. The value of the certificates issued on butter exports was originally fixed at 20 zlotys per 100 kilos (\$1.02 per 100 pounds). It remained at that figure until January 1, 1931, when it was reduced to 6 zlotys per 100 kilos (\$0.30 per 100 pounds). As in the other instances where certificates are issued upon exports the Ministry of Industry and Commerce was authorized to issue such certificates only to firms and organizations that produced butter that conformed to the established grades and standards. For that reason a list of associations entitled to certificates was prepared and published by the Treasury Department.

(d) *Recapitulation.*—The following table gives the commodities on the exportation of which customs certificates are being issued in Poland, and the value of these certificates either for direct cash premiums or for the payment of import duties, as the case may be. The commodities are listed according to the dates when the various decrees establishing the system for those products became effective. (Conversions into United States currency made at par, 1 zloty equals 11.22 cents.)

Poland: Agricultural exports on which customs certificates are issued

Exported commodity	Date effective	Value of certificate issued	
		Zlotys per 100 kilos	In United States currency
Hams and bacon ¹	Jan. 24, 1929	15	<i>Per 100 pounds</i> \$0.76
Butter ¹	Sept. 20, 1929	20	1.02
Oats ²	Nov. 16, 1929	4	<i>Per bushel</i> \$0.06
Barley ²	do.....	4	.10
Wheat ²	do.....	6	.18
Rye ²	do.....	6	.17
All kinds of flour ²	do.....	9	<i>Per 100 pounds</i> \$0.46
Do. ²	July 31, 1930	12	.61
Flour without bran ²	Nov. 1, 1930	12	.61
Other flour ²	do.....	9	.46
Barley groats ²	do.....	12	.61
Malt ²	do.....	12	.61
Butter ¹	Jan. 1, 1931	6	.30
Bolted flour ²	May 6, 1931	10	.51
Other flour ²	do.....	8	.41
Bacon and pickled hams ²	Oct. 1, 1931	20	1.02
Smoked and hermetically packed ham ²	do.....	25	1.27
Salted, pickled, smoked, dried, and preserved meat products (whether or not packed in cans) ¹	do.....	25	1.27
Salted or smoked fatbacks ¹	do.....	25	1.27
Lard ¹	do.....	25	1.27
Fresh, salted, or frozen pork, veal, mutton, and beef ¹	do.....	10	.51
Bacon and pickled hams ²	Jan. 25, 1932	25	1.27
Polished rice and rice products ¹	Apr. 1, 1932	2.80	.14
Salted and pickled meat products ¹	May 1, 1932	20	1.02
Bacon and pickled hams ²	do.....	20	1.02
Barley ¹	Dec. 1, 1932	2	.10
Malt ¹	do.....	3	.15
Polished rice and rice products ¹	Dec. 16, 1932	1.68	.09

¹ Certificates usable only in the payment of duty on imported articles.

² Certificates redeemable in cash upon presentation at specified customs offices.

4. *Other aids to export, centralized selling, and measures to raise quality standards.*—Since the war the Polish Government has been lending its encouragement to the complete reorganization of the country's export trade. This has been true especially of the export trade in agricultural commodities. Producers have been encouraged to sell their products both at home and abroad through central selling agencies. Cartels, syndicates, and cooperatives of various kinds have accordingly been formed through which the producer is able to

take full advantage of all sales possibilities. With the uniting of the trade into these cartels and syndicates, the rationalization and standardization of production have been greatly facilitated. The Government itself has taken a direct part in the organization of the centralized selling agencies by liberal financial aid. A Government export institute was set up in 1926, the object of which was to study the possibilities for selling Polish goods in foreign markets and to bring about the standardization of all goods, but particularly agricultural products, destined for export, in order to prevent the sale abroad of goods of inferior quality.

Moreover, in connection with the organization of the export trade in agricultural products, the Government has introduced export premiums (see sec. 3), and these are granted only to such firms as comply with the official regulations pertaining to grades and standards. Inversely, a system of export taxes, discussed below, has been applied partly for the same purpose, since the only commodities exempted from the export levies are those exported by the above-mentioned organizations providing the commodities conform to the official grades and standards. Thus the Government in Poland is endeavoring to control various lines of exports by means of improvement in marketing facilities, by means of premiums on exports that have been graded and standardized, and by means of a tax on agricultural exports that do not come up to grade and standard regulations.

The Polish Government has been levying what amounts to prohibitive export taxes on a long list of products for several years. The system was gradually put into practice in 1923 and by the end of that year such taxes were being imposed on the following agricultural products: Millet, buckwheat, French beans, peas, dead poultry, live turkeys, live geese, live ducks, live fowls, horseflesh, potatoes, barley bran, eggs, and clover seed. On June 26, 1924, revised regulations for the export of Polish merchandise were published, dividing such exports into three categories, namely: (a) Prohibited exports, (b) free exports, and (c) goods paying an export tax. Since that time export taxes have from time to time been applied to a number of other agricultural products. In some instances they have been levied in order to curtail exports of such articles as wheat, rye, and other cereals when the existing relatively high prices in the export market threatened to deplete domestic supplies and raise prices to consumers in Poland. In other instances they have been levied during years of low crops in Poland in order to maintain domestic supplies. Thus, in the fall of 1928, the Polish Government as a result of a fodder shortage imposed an export tax of 10 zlotys per 100 kilos (16.3 cents per bushel) on oats. This export tax was canceled in July 1929.

Of late, however, export taxes have been levied to an increasing extent in order to discourage exports of products that are not up to official grades and standards. The theory of the Polish Government in connection with most of the export taxes that are now being levied on agricultural products is that they will compel producers to grade and standardize their products. The Government maintains that unless the agricultural industries grade and standardize their products, it will not be possible for them to stand up against foreign competition on the domestic market in spite of tariff protection, or to compete satisfactorily in foreign markets. Under the existing system of export taxes the Government imposes export duties on certain commodities that do not conform to the standards of grade and quality. The Polish Government maintains that while export taxes tend to reduce exports the increase in the value of the merchandise brought about by the adoption of modern methods of processing, standardization, and grading will more than offset any decline in exports.

Thus, in the case of exports of live and slaughtered hogs, the Government issues certificates for free export to all members of a syndicate of Polish hog and cattle exporters which was established late in 1928 for the purpose of rationalizing the production and trade in pork and pork products. Again, in its desire to raise the standard of Polish export butter, the Polish Government issued an order in July 1931 under which butter that did not conform to the standards fixed by the authorities would have to pay an export duty of 6 zlotys per kilogram (30.5 cents per pound). It was felt that the imposition of this levy on low-quality butter would make its sale unprofitable. On the other hand, it was believed that the increase in confidence which the order would evoke among foreign buyers would eventually result in an increased export movement of high-quality Polish butter. The order provided for the issuance of special certificates whereby all butter to which such certificates were attached would

be free of the export tax. To mention another example, a law establishing standards for eggs became effective on March 1, 1929. According to the provisions of this law all eggs exported by approved cooperative societies and firms will not be subject to the payment of an export tax, while those sent abroad by other firms will be assessed 200 zlotys per 100 kilos (\$10.18 per 100 pounds) gross weight. It is believed that in this way the standard of the Polish eggs would be improved and that they would accordingly sell at a higher price.

Another example of the same policy is provided by the decree of April 1, 1932, in which it was provided that packers who do not comply with the regulations agreed to by the Polish Bacon Union regarding the equipment of factories, the method of preparing and handling the bacon, and standardization and classification of the product, will no longer receive the export bounty of 20 zlotys per 100 kilos (\$1.02 per 100 pounds). In this connection see section 3, Export Bounties. Finally, on January 10, 1933, the export tax on bacon, pickled hams, and pickled pork products was increased from 100 to 150 zlotys per 100 kilos (\$5.09 to \$7.63 per 100 pounds). If exported with a certificate of the Ministry of Industry and Commerce, however, these items remain free from the export tax.

Government aid is also being granted to individual exporters in Poland by subsidies to the extent of the difference between interest paid on borrowings by exporters, and interest received on credit extended by them to foreign buyers. Other subsidies to individual exporters have been in the form of a refund of the turnover tax which had been paid on raw materials, semimanufactured goods, etc., used in the production of exported products. As an additional aid to exporters a state export fund was created by act of parliament early in 1931. This fund was established by an initial grant by the Government which is to be supplemented by the collection of fees from the export industries. The total amount of the fund is placed at 150,000,000 zlotys (\$16,830,000), which is 6 percent of the total value of exports in 1930. This fund is to be used for the extension of export credits. The act provides that the fund is intended to facilitate exports of all kinds, both agricultural and industrial, by guaranteeing credits granted by the banks up to 50 percent of the value of the goods exported. The act also provides for the application of credits from the fund to the same extent in financing production for export. It is understood that the fund is being used largely for financing export transactions with Soviet Russia.

5. *Control of grain trade, including German-Polish rye agreement of 1930-31.*—The Polish Government for a number of years after the war made purchases of domestic grain in order to control grain prices in favor of farmers. The Government during those years was not only concerned with maintaining prices for domestic producers but also with insuring sufficient supplies for the home market. This policy eventually resulted in increasing production to such an extent that a large export surplus developed for rye. Prices declined and it became exceedingly difficult for the Government to dispose of its stocks. After the 1929 rye harvest Government stocks of rye amounted to approximately 20,000,000 bushels, which could no longer be sold on the export market because of the deterioration in quality which had taken place. This rye had to be fed to livestock.

In November 1929 a new grain export policy was adopted. This policy consisted of the payment of bounties on exports of wheat, rye, barley, oats, flour, grits, and malt (see sec. 3 on export bounties). Such bounties had previously been introduced for ham and bacon, and are now being paid on about 100 different kinds of goods, including grain, milling products, malt, butter, bacon, ham, flax, rice, and industrial goods. The method of paying bounties on exports is based upon article 7 (d) of the law of July 31, 1924, on "the regulation of tariff conditions", which authorized the Government to make restitution of import duties. While this law did not specifically provide for the payment of export bounties on grain or on any other product this difficulty was overcome by the stipulation that export certificates would be granted, the value of which could be regarded as a restitution of import duties on "imported fertilizer, materials, implements, or other products used in the production of the respective export goods." Since this "restitution", however, is fixed in definite rates for the export products, and since the use of the "imported products" in the production of the exported merchandise does not have to be proven in any way, the so-called "restitutions" are pure export

bounties. During the year 1931 a total of 69,000,000 zlotys (\$7,741,800 at the average rate of exchange for the year) was granted as export premiums, of which 38.1 percent was used for grain, 7.5 percent for bacon and ham, and 2.5 percent for butter exports.

Poland became an important exporter of rye for the first time in 1928. Growing exports and competition with Germany, particularly for the Scandinavian rye market, soon led to such ruinous prices that in February 1930 an agreement was entered into between Poland and Germany for the establishment of the German-Polish Rye Commission. This agreement provided that from February to July 1930, subject to continuation at the end of that time, the German and Polish rye export surplus would be marketed through a joint sales organization consisting of the "German Grain Trading Co." for the German interests and a newly formed "Polish Grain Monopoly" for the Polish interests. Export bounties were paid by each Government on the rye exported by their nationals through the joint commission. (See sec. 2, Poland, and sec. 3, Germany.)

The first agreement, signed by representatives of the German and Polish Governments on February 16, 1930, was to remain in effect until July 1, 1930. It provided for the establishment of a joint export sales organization consisting of the "German Grain Trading Co." for Germany and of the "Polish Grain Monopoly" for Poland. The purpose of the export sales organization being the elimination of competition between the two countries for the European rye market, the agreement provided for the division of the export market in such a way that 60 percent of the rye exports were granted to Germany and 40 percent to Poland, and the establishment of minimum prices below which sales would not be made. While exporters were not compelled to market their rye through the commission, the agreement provided that Germany would grant export credit certificates to the amount of 36 cents per bushel (though this was later abandoned), and that Poland would pay an export bounty amounting to about half that figure on all rye exported through the commission. This gave the commission a virtual monopoly with regard to exports.

The above agreement was replaced by a new arrangement on July 12, 1930. Apparently the results of the February 16, 1930, agreement did not come up to the expectations of the Polish agrarian interests. The Polish negotiators complained that the export contingent of 40 percent was inadequate. The German representatives therefore consented to a flexible clause whereby Poland would receive a contingent of 50 percent between July and January on days when sales did not exceed 8,000 tons. On days of higher sales Poland's quota was to be reduced to 30 percent. After January 1931 the above criterion of 8,000 tons was to be reduced to 6,000 tons.

In addition, an amendment was added to the new agreement depriving either of the contracting parties of the right to apply unused portions of any bimonthly quotas to the ensuing months. However, it was agreed that either party should have the right to increase the minimum price by not more than 5 percent should sales exceed 1,575,000 bushels during any 10-day period between July and February and 1,181,000 bushels after February. The right to make price reductions was granted to either country whenever sales declined below 1,181,000 bushels in any 10-day period between July and February or below 984,000 bushels after February.

From February 25 to December 1, 1930, the commission sold 9,188,000 bushels of Polish rye and 2,403,000 bushels of German rye. The heaviest sales were made during the 4 months June to September, with a monthly average of 1,772,000 bushels. Sales declined rapidly after September, partly as a result of Russian competition and partly because of good rye crops in importing countries. Declining rye prices restricted purchases by importers.

The plan governing the commission's work allotted the larger share of available export business to Germany. The sales figures given above, however, indicate that almost four times more Polish rye than German rye was sold through the commission during the period indicated. That fact is explained largely by the cessation, a few weeks after the inauguration of the commission, of the issuance of German export credit certificates on rye. The certificates had borne a value of 36 cents per bushel (60 marks per metric ton). The withdrawal of the certificates discouraged the export of German rye, while the continuance of the Polish export bounty on rye encouraged the exportation of Polish rye. Finally, at the end of June 1931, the joint arrangement between the two countries was given up.

Throughout July and August 1931 foreign sales of wheat and rye were carried on by the existing State and private establishments. In August 1931 the Polish interests formed a special organization under the auspices of the Government, with a working capital of about \$1,000,000, known as the "Polish Rye and Wheat Export Bureau." Its purpose was to continue the work of concentrating grain export sales and eliminating unnecessary competition among the Polish exporters. This bureau still continues to function.

An order of the Polish Government dated September 15, 1932, stipulated maximum extraction percentages for the milling of rye flour sold for domestic consumption. The purpose of this law is to increase the utilization of domestic rye. The decree provides that the milling of rye for the domestic market is permitted only for the manufacture of specified grades of flour. The first grade of rye flour is that which represents not more than a 55 percent milling of the rye kernel; the second grade, that representing not more than 65 percent milling of the kernel; the third grade, that representing not more than 75 percent milling of the kernel; and, finally, black-bread rye flour, representing more than 75 percent milling of the kernel. The milling of rye into other grades of flour is permitted in the case of flour for export and for special purposes indicated by the Ministry of the Interior.

6. *Government tobacco monopoly.*—The Polish Government has maintained a monopoly of the tobacco trade since June 1, 1922. In regard to the domestic crop, a permit must be secured from the Tobacco Monopoly in order to grow tobacco. The entire domestic crop must be sold to the monopoly at fixed prices. The domestic crop is divided into categories according to the type of tobacco produced. Usually around June 1 of each year the monopoly announces the prices which it will pay for the various classes and grades of the domestic crop. Under its present form the monopoly has the exclusive right to manufacture and sell tobacco products in Poland, but it may transfer its selling rights to concessioned distributors. These concessioned distributors must sell tobacco products at prices fixed from time to time by the monopoly, their profit consisting of a commission allowed by the monopoly on the tobaccos sold.

7. *Restrictions of sugar production and exports.*—Poland is a participant in the International Sugar Convention signed at Brussels on May 9, 1931. As already indicated (see Cuba) this convention imposes on the member countries the obligation of restricting exports of sugar to figures set forth in the plan. Before the convention was signed it was said that Polish sugar was being exported at prices which in many cases were below the cost of the sugar beets delivered to the refineries. In accordance with the objective of this convention, i.e., the maintenance of prices on the world's sugar market, the Polish Government has taken steps to regulate production in Poland. With this purpose in view production and export quotas have been established each year and definite contingents based upon these quotas are divided among the individual refineries.

8. *Commercial treaties.*—Soon after the establishment of the new Polish state in November 1918 the Government began to negotiate commercial agreements with foreign countries. The basic objective in such negotiations was the establishment of reciprocal advantages and privileges between Poland and the other countries whereby Poland would agree to allow certain products to come in at reduced rates of duty in exchange for similar advantages in respect to the exports of specified Polish products. By the end of 1931 Poland had concluded such commercial treaties with practically all European states and a number of overseas countries. The most important exceptions were with Germany, the United States, and the Union of Socialist Soviet Republics. In the case of Germany and the United States, however, such treaties have been negotiated but have not yet been placed in effect. In the meanwhile, however, a modus vivendi has been agreed to in respect to Germany and the United States pending the actual conclusion of commercial treaties.

Poland has consistently emphasized the fact that given certain conditions and the abolition of import restrictions in respect to Polish goods now in force in a number of countries, she would be prepared to revise her customs policy and endeavor to bring it into closer relation with the principle of abolition of customs barriers. As agriculture in all of the European grain exporting countries has been in the same difficult position the question of taking common action for the improvement of the situation was the incentive for the holding, at Poland's initiative, of an international congress at Warsaw in 1930, which was attended by representatives of Poland, Hungary, Czechoslovakia, Rumania,

Estonia, Latvia, Bulgaria, and Yugoslavia, as members of the congress, and of Finland and the League of Nations as observers. This conference was convened primarily for the purpose of establishing collaboration between the grain producing and exporting countries in the regulation of their grain trade. This conference was followed by further meetings at Warsaw and Bucharest, but relatively little progress was made. (Concerning Danubian grain conferences, see ch. VII of the main report.)

PORTUGAL

In Portugal tariffs, import prohibitions and quotas, direct price fixing, production bounties and premiums, and special loans by the Government are all included in the category of Government aid to agriculture. Particularly has the Government been active in support of the domestic wheat-growing industry in its efforts to minimize Portuguese dependence upon imports of bread grains.

1. *Tariffs*.—Portugal maintains tariffs on a long list of agricultural products. The most important agricultural products imported into Portugal are wheat, corn, rice, sugar, tobacco, cotton, and wool. The most important agricultural exports are olive oil, almonds, and figs. A few of the agricultural tariff rates in effect as late as April 1, 1932, are given below. The rates given are the minimum rates applicable to countries, including the United States, to which most-favored-nation treatment is accorded by the Portuguese Government. They are expressed in gold escudos per kilo. One gold escudo equals \$1.08 in United States currency. All Portuguese duties, however, are payable in paper escudos. The duties, therefore, are multiplied by a coefficient adjusted in accordance with the depreciation of the currency so that the net result represents an actual payment of the duty in accordance with the par value of the gold escudo.

A decree published in Portugal on February 27, 1932, provided for a general surtax on all existing duties which raised the actual duties on practically all products by one fifth, except on sugar, on which the duties were increased by one tenth, and on leaf tobacco, on which there was no increase. This surtax, where applicable, is included in the duties listed below. This decree also authorizes the Government to fix maximum quantities or import quotas for all merchandise for specified periods.

A few samples of the Portuguese duties on agricultural products (expressed in gold escudos per kilo with the United States equivalent in parenthesis) will suffice to indicate in a general way the extent to which tariffs are resorted to on behalf of the agrarian interests. Lard, 0.078 (3.8 cents per pound); butter, 0.216 (10.6 cents per pound); olive oil, 0.06 (2.9 cents per pound); cheese, 0.396 (19.4 cents per pound); raisins, 0.156 (7.6 cents per pound); rice in the husk, 0.0432 (2.1 cents per pound); wool, washed, 0.036 (1.8 cents per pound); wool in the grease, 0.012 (0.6 cent per pound); raw cotton, 0.0192 (0.9 cent per pound); hops, 0.18 (8.8 cents per pound); leaf tobacco, 1.40 (69 cents per pound); corn, 0.24 (71 cents per bushel); and refined sugar, 0.0594 (2.91 cents per pound).

On wheat the duty is fixed by special legislation. The amount of wheat that can be imported and the periods when such imports can be made are regulated and controlled by the Government. The importation of wheat is not permitted into Portugal and the Azores excepting when a deficit occurs and a decree permitting entry is issued (see sec. 2, below). Whenever the amounts that may be imported are published the Government at the same time announces the duty that must be paid on that particular quantity. To illustrate: On January 14, 1932, the Government announced that the importation of 1,350 metric tons of wheat would be permitted into the district of Ponta Delgada (Azores) during the year, and that the duty on such imports would be 0.80 paper escudo per gross kilo (73 cents per bushel, based on exchange as of April 27, 1932, when the paper escudo was worth 3.34 cents in United States currency). The decree applied only to the Azores, but it serves to indicate the procedure followed. Similar decrees have been issued from time to time for continental Portugal.

2. *Government control of wheat prices and imports*.—Flour millers in Portugal have been obliged for several years to buy all of the domestic wheat offered by growers at prices fixed by the Government. Thus a decree of August 23, 1931, fixed the price which millers must pay for wheat of the 1931 crop at from 53 cents to 60 cents per bushel, depending on the weight and quality of the wheat. This decree also specified "that the flour mills which refused

to accept delivery of and pay the fixed price for the wheat, which is distributed to them every 30 days by the technical inspection of agricultural industries and commerce, shall be closed for 1 year." Another report of October 24, 1931, indicates that the ministries of finance and agriculture at that time were considering the possibility of the State financing the millers due to their inability to purchase the domestic wheat crop at the prices fixed by the Government. A report of December 31, 1931, mentions a "continuance of the fixed prices at which domestic wheat must be purchased from the producer." As late as June 18, 1932, a decree of the Portuguese Government announced that all transactions in domestic wheat must be made at the prices officially fixed by the Government under penalties of confiscation of the grain, without compensation to the buyer.

The central feature of the Government's wheat price-fixing machinery is the restriction of imports. The quantities of wheat that may be imported into Portugal are announced from time to time by the Government. The policy of the Government in this respect is to regulate the importation of wheat in such a manner that the public supply and the proper disposal of the domestic crop may not be endangered. The importation of wheat is permitted only upon official authorization after the minister of agriculture has estimated the quantity needed for consumption. As a rule, the Government authorizes the importation of 80 percent of the estimated needs at the time of the harvest in order that the foreign wheat may be available for mixing with the domestic product. The importation of the remaining 20 percent is permitted by December 31 of each year. The amount of wheat that may be imported by each mill is fixed in accordance with its producing capacity. The importation of wheat flour is entirely prohibited in continental Portugal. In the islands of Madeira and the Azores, however, flour may be imported from time to time by special authority of the central government for each individual importation.

3. *Cooperative storage of wheat.*—Realizing that an essential feature of its campaign for the promotion of wheat production must consist in improving marketing facilities, the Government of Portugal on May 28, 1932, enacted a decree providing for the storage of wheat and for advances to growers on all wheat placed in storage. The main objective was to check the tendency of growers to market their wheat immediately after harvest in order to secure cash to meet their debts.

The law stipulated that wheat storage houses must be erected in all rural districts where the annual average production of wheat exceeded 37,000 bushels. In addition the law also specified that similar storage houses must be established in all of the large consuming centers. The law provided that the construction or acquisition of storage houses should first begin in the rural districts and continue until half of the intended storage space for those districts has been established. Then the construction or acquisition of storage space is to begin in the large consuming centers until half of the desired storage space in those regions has been provided for. Next, the total storage capacity in the producing centers is to be completed and finally the total storage capacity of the cities.

The task of organizing and administering these storage houses is invested in the National Federation of Wheat Producers, a new organization established by the law. This organization is simply a large cooperative society in which all wheat producers in the country automatically become members. The Government maintains permanent supervision over the activities of the national federation.

The funds for the construction or acquisition of the storage houses and for administering the law are to be derived primarily from a levy on all wheat producers, amounting to 2 escudos per quintal (1.82 cents per bushel at the rate of exchange of May 28, 1932) on all wheat produced. In addition the national federation is given the receipts from an import duty of 2 escudos per quintal (1.82 cents per bushel at the rate of exchange of May 28, 1932) on imported wheat and it may also take up loans if authorized by the Government.

Of the total amount of money collected by the national federation 85 percent is to be credited to the grower for conversion into shares entitling him to participate in the profits of the federation. An individual grower, however, may subscribe immediately for as many as 200 shares at a nominal value of 500 escudos (\$16.72 at the rate of exchange of May 28, 1932) each. In that event he will be released from the obligation of paying the equivalent of that sum into the fund by means of the levy on the wheat he produces.

The law also provides for the establishment of a wheat grower's credit bank, backed by the Government, and in which the wheat growers are to have a direct interest. The details as to the activities of this bank have not been announced as yet. The main function of the bank undoubtedly will be to make advances to growers on wheat placed in storage so as to remove the pressure for immediate sale after harvest in order to secure funds.

The wheat-storage law merely gives the farmer the opportunity to place his wheat in storage. He is not obligated to do so. Whether he does or not, however, he is compelled to pay the levy on all the wheat he produces. It is also understood that the national federation is not an organization for the cooperative sale of wheat. On the contrary, each farmer can sell his wheat out of storage whenever he wishes. In this connection it should be borne in mind that wheat prices are fixed by the Government and that no wheat other than domestic wheat is available to millers as long as domestic stocks remain unsold. The national federation, therefore, is not called upon to develop any sales policy. It is assumed that growers will place their wheat in the storage houses in order to obtain advances, while millers will be compelled to depend upon the storage houses for their requirements since no wheat can be imported except upon authorization of the Government.

4. *Special regulations for marketing the 1932 crop.*—The 1932 wheat crop in Portugal was unexpectedly large. In fact it exceeded domestic requirements. This fact immediately created a difficult situation because of the law that mills must buy all of the wheat offered by farmers at prices fixed by the Government (see sec. 2, above). Usually farmers sell their wheat immediately after harvest in order to secure funds with which to meet their obligations. However, it was felt that it would be unfair, in view of the bumper wheat crop, to compel millers to buy all of the wheat to be offered by farmers immediately after harvest at the fixed prices. Moreover, it was felt that the millers would undoubtedly attempt to hold off purchases in order to bring about a reduction in the official prices. It was also obvious that the measures taken to regulate marketing by creating adequate storage facilities (see sec. 3, above) could exercise no helpful influence in connection with the 1932 crop. The Government was therefore obligated to adopt special measures for marketing the 1932 crop. These will be discussed in detail below.

The first step taken by the Government was the promulgation of a decree on June 18, 1932, declaring void any transactions in which the fixed price for wheat is not observed and providing that wheat purchased at other than the fixed prices would be confiscated without compensation to the buyer. The next step was that provided for in the decree of August 5, 1932. In order to prevent the milling industry from aggravating the glut on the market by not buying wheat, the decree of August 5, 1932, obliged the milling industry to buy not less than 25,000 metric tons (919,000 bushels) of wheat monthly from August 1, 1932 to January 31, 1933, and 30,000 metric tons (1,102,000 bushels) monthly from February 1, 1933, to July 31, 1933. This wheat must be purchased at the prices fixed by the Government, and the transportation costs to the mills must be borne by the buyer. The decree of August 5, 1932, pointed out that even at this rate of monthly consumption by the mills, there would probably be an excess of wheat over domestic requirements. The Government stated, however, that it would in due course enact the necessary measure to guarantee that the whole of the 1932 crop would be disposed of at the official prices.

In order that the monthly distribution of wheat to the millers may be facilitated and that all intermediaries may be eliminated, the decree of August 5, 1932, set up the *Comissao Distribuidora de Trigos* (committee of wheat distribution). This committee is charged with the general administration of the law. It has headquarters in Lisbon and consists of a Government official as president, and representatives of the following organizations: Technical Inspection of the Agricultural Industries and Commerce; military administration; the Industrial Co. for Portugal and the colonies; Provincial Milling Enterprises, Ltd.; Independent Industries of the North; Independent Industries of the South; and the Union of Associated Millers & Mills, Ltd. The main function of this committee is to supervise the distribution of wheat to the various millers in accordance with the monthly quotas, and to decide any controversies that may arise.

A supplementary decree of August 8, 1932, provides the specific regulations for the orderly marketing of the crop. This decree specifies that wheat may be offered for sale by only the eight following entities: (a) The wheat produc-

ers; (b) land owners who receive wheat in payment of rents; (c) persons who thresh the wheat of others and who receive wheat for that service; (d) agricultural syndicates and associations; (e) brokers and the produce exchange; (f) dealers in grain who are duly registered with the finance office; (g) manufacturers of chemical fertilizers; and (h) the Caixa Nacional de Credito. The law provides that each of these entities must declare between July 1 and November 30, the total quantities of wheat they will have available for sale, the quality of the wheat, the place where the wheat is stored, and the quay or railway station nearest the storage space. These entities will then be authorized to deliver the declared wheat to the mills in accordance with the compulsory monthly purchasing quotas above mentioned, i.e., 25,000 metric tons (919,000 bushels) monthly from August 1, 1932, to January 31, 1933, and 30,000 metric tons (1,102,000 bushels) monthly from February 1, 1933 to July 31, 1933.

The total Portuguese wheat crop for 1932 has been placed at 494,000 metric tons (18,151,000 bushels). If the Portuguese mills should buy no more wheat than they are actually compelled to purchase under the decree of August 5, 1932 (i.e., a total of 330,000 metric tons or 12,125,000 bushels), there would remain an unsold balance of 164,000 metric tons (6,026,000 bushels). However, since the domestic consumption of wheat in Portugal is around 500,000 metric tons (18,372,000 bushels) annually, and since the Government has already stated that the necessary measures will be enacted in due course to guarantee the sale of the entire crop at fixed prices, it seems certain that the balance of the crop will be disposed of eventually.

The chief concern of the Government is to procure cash for the wheat grower as soon as possible. In order to accomplish this the government enacted a decree on February 16, 1933, providing that the mills had to take before the end of March 1933 a total of 60,000 tons (2,205,000 bushels) of wheat in addition to what they are required to take under the decree of August 5, 1932, which provided for the compulsory purchase of only 30,000 metric tons (1,102,000 bushels) per month from January 1 to July 31, 1933. The law of February 16, 1933, also provides that the mills cannot begin milling these additional 60,000 tons of wheat until the end of May 1933. After that time this wheat must be milled into flour at the ratio of 20,000 metric tons (735,000 bushels) per month. One of the significant effects of this decree is to relieve the farmer of the burden of storing the wheat. Since the mills are able to take better care of the wheat than the farmer, the latter is protected to some extent at least against losses in quality, and so forth. In addition the farmer benefits by this scheme because he receives cash much earlier than he would otherwise, thus relieving him of the possible necessity of borrowing money.

When this wheat is delivered the millers give the producer a note which the Government discounts upon presentation to the Caixa General de Deposits, an official organization where the various Government organizations maintain their accounts. Payment on these notes by the mills is due on June 30, July 31, and August 31, 1933. By this method the Government has solved the procedure of supplying cash to the farmer without increasing his indebtedness by new loans which he probably would have had to take up in the absence of this arrangement.

5. *Mixing regulations to improve market for domestic cereals.*—There are no reports to indicate that the Portuguese Government enforces the mixture of imported wheat with the domestic product as is done in many other European countries, but the Government has from time to time ordered millers to mix certain percentages of domestic corn, rye, and barley with wheat in the manufacture of flour. This has been done in order to reduce the imports of wheat and to facilitate the sale of the other domestic bread grains. A decree of December 21, 1929, for example, authorized mills to incorporate into wheat flour millings 5 percent of domestic rye. This was done because relatively large quantities of rye were on hand and in addition Portugal had a rather low wheat crop that year. Even the relatively large supplies of rye, however, proved insufficient to cover the wheat deficit. For that reason the Government on June 30, 1930, decreed that mills could incorporate 100,000 metric tons (3,700,000 bushels) of imported wheat in their milling activities.

Decrees of March 2, 1931, and May 30, 1931, prescribed that all bread made in civil and military institutions for the official supply of Government agencies must contain, at least 20 percent of corn flour. Bread for hospitals was exempted from that ruling. Private bakeries were not compelled to incorporate this percentage but were urged to do so. On July 3, 1931, the Government issued a decree compelling all millers in Portugal to mix rye flour with wheat

flour to the extent of 20 percent and fixing at the same time the price to be paid by millers to farmers for rye and the price at which the flour had to be sold by the millers. On September 2, 1931, however, the Government decreed that bread flour, in order to be legal, had to consist of 88 percent pure wheat flour, and 12 percent corn flour. All other flour was considered illegal. The new mixture was prescribed as there was a shortage of rye and a relatively large supply of corn.

6. *Direct subsidies for cultivation of new wheat areas.*—The Government of Portugal has taken a very special interest in the promotion of wheat production, not only through propaganda, technical assistance, financial assistance, assistance in obtaining agricultural materials, and the establishment of experimental farms, but also through direct subsidies. A decree of July 31, 1930 (Diario do Governo, Aug. 9, 1930), provided for the payment of bounties on land devoted to the cultivation of wheat. According to this decree the Government was authorized to grant a subsidy of 100 escudos per hectare (\$1.79 per acre, at par) to farmers who clear and sow wheat to virgin land, and a subsidy of 50 escudos per hectare (89 cents per acre at par) to farmers who sow wheat to land that has not been under cultivation during the past 10 years.

The above premiums on cultivation of wheat were payable only when there was a probability that the land brought under cultivation would continue to grow wheat regularly. This limitation was provided for in a supplementary decree of October 27, 1930 (Diario do Governo of Oct. 27). The latter decree also provided that the subsidy would be paid not only to all farmers who devoted hitherto uncultivated land to the cultivation of wheat during 1930–31, as provided for in the decree of July 30, 1930, but also to any farmer who before the publication of the decree of July 30, 1930, had taken up, of his own initiative, uncultivated land for the production of other crops in 1930–31, provided that he replaces those crops with wheat in 1931–32. The decree of October 27, 1930, also provided that farmers would receive the full subsidy of 100 escudos per hectare (\$1.79 per acre, at par) on land taken up after the publication of the July 30, 1930, decree provided the land was planted during 1930–31 to such crops as corn, legumes, and fodder, in preparation for a wheat crop in 1931–32. However, if the uncultivated land prepared for wheat cultivation is not dedicated to any crop in 1930–31, but is sown to wheat only in 1931–32, the subsidy is reduced to 50 escudos per hectare (\$0.89 per acre, at par). In the latter case, rye can also be sown in 1931–32 instead of wheat.

The practice of paying subsidies or a bonus to farmers who take up uncultivated land was continued during the agricultural years 1931–32 and 1932–33. A decree of July 27, 1931, authorized the payment of the bonus to those farmers who grew crops on uncultivated lands in preparation for wheat growing during 1932–33. The actual amount payable was not announced until September 18, 1931. An official announcement of that date (Diario do Governo, Sept. 18, 1931) provided for a subsidy of 80 escudos per hectare (\$1.43 per acre, at par) to all farmers who had taken up uncultivated lands (or vine lands) for growing other crops during 1931–32, provided they replaced these crops with wheat during 1932–33. In addition, this decree granted the bonus of 80 escudos per hectare (\$1.43 per acre, at par) to farmers who cultivated alkali lands, and who tried to diminish the alkali content of the soil by sowing barley in 1931–32, provided they declared their intention of sowing wheat later on.

The July 30, 1930, decree also provided for the payment of a bonus to growers for wheat grown for seed. According to this decree all farmers who delivered wheat especially approved as seed wheat would receive a bonus of 20 centavos per kilo (24 cents a bushel, at par, and 18 cents at exchange as of Apr. 27, 1932). This bonus was continued during the 1931–32 agricultural year by a decree of July 24, 1931 (Diario do Governo of July 27, 1931).

7. *Production prizes on specified products.*—In order to bring about an improvement in methods of production and to increase yields per acre for wheat, corn, potatoes, and olives, the Portuguese Government was authorized by a decree of July 30, 1930, to pay national and regional prizes for outstanding developments along those lines. The prizes are given by a board of judges who have been instructed to take into consideration not only the highest yield per acre but also such factors as mechanical treatment of the soil, rational utilization of fertilizers, seed selection, plant protection, seeding with grain drills, crop rotation, number of livestock kept, and general farm efficiency. The first two factors may be given a maximum scoring of 15 points each and the remaining seven a maximum scoring of 10 points each. Three national prizes are

given and 36 regional prizes. The original decree provided for the awarding of these prizes during 1930-31. A decree of July 24, 1931, extended the payment of the prizes to the 1931-32 crop year.

8. *Government loans to wheat growers.*—The area sown to wheat has been steadily increasing in Portugal in recent years. In order further to stimulate production the Portuguese Government on October 20, 1929, authorized certain Government financial agencies to make loans to wheat farmers for fertilizer, seeding, weeding, and harvesting the 1930 crop. Repayment of these loans was to be made after the harvest between September 15 and 30. This practice has subsequently been extended. The amount of the loans that could be advanced and the periods during which they had to be made were fixed as follows:

Portugal: Amount of loans to wheat growers

Period	Escudos per hectare	Dollars per acre ¹
By decree of Oct. 20, 1929:		
First period, Oct. 1 to Mar. 31, for seed and fertilizer.....	200	3.58
Second period, Mar. 1 to Apr. 30, for weeding.....	50	.89
Third period, July 1 to Aug. 31, for harvesting.....	200	3.58
By decree of Oct. 31, 1931:		
First period, Oct. 1 to Dec. 31, for seed and fertilizer.....	150	2.26
Second period, Mar. 1 to Apr. 30, for weeding.....	50	.75
Third period, June 1 to July 31, for harvesting.....	150	2.26
By decree of Mar. 25, 1933:		
First period, Mar. 1 to Apr. 30, for weeding.....	50	.63
Second period, June 1 to July 15, for harvesting.....	150	1.90

¹ Conversions to American currency made on the basis of the exchange value of the escudo on the date of the decree; 1 hectare equals 2.471 acres.

9. *Government aid to rice growers.*—The aid given to the rice industry by the Portuguese Government, though not strictly price supporting in character, is worth noting briefly in connection with the efforts to strengthen domestic agriculture and to lessen dependence on imports, especially of cereals. Rice production in Portugal is not sufficient to cover domestic requirements. While the rice area has been steadily increasing, the yields have considerably decreased. This product, however, is an important item in the diet throughout Portugal. The Government is said to be interested in increasing production and in cutting down imports, because it considers the sums paid out for rice imported into Portugal to be a loss to Portuguese national economy which could be eliminated by an increased home production.

The main efforts of the Government are centered on financing the construction of modern irrigation works in new producing areas. By faulty irrigation practices in the past much land has become swampy and a breeding place for malaria mosquitoes. The Government has therefore forbidden the cultivation of rice near villages. The key to expansion of the rice area in Portugal lies almost entirely in providing an adequate system of irrigation, by which the water will be kept flowing instead of being allowed to become stagnant. A decree of October 20, 1931, prohibits new rice plantings on any land where the irrigation system permits water to become stagnant. Moreover, no one may grow rice on any land whatsoever unless he has first obtained a license. All rice fields with stagnant water must be abandoned if located within a distance of 1 kilometer from a village, in case two thirds of the inhabitants of the village request it. There is no such obligation if an adequate system of hydraulics is applied.

The growers on the lands that are already producing rice do not receive any financial support from the Government for installing the irrigation systems in their individual fields, but the State has pledged itself in the decree to take care of all irrigation projects that will open up new rice-producing areas. The Government hopes to be able to make Portugal self-sufficient in the matter of rice supply. Success in the attempts being made to increase the yield per acre by improved methods of cultivation will materially hasten the realization of that goal. The domestic production of rice in recent years has averaged in the neighborhood of 20,000 short tons annually, while net imports averaged around 45,000 short tons.

10. *Import quotas*.—Reference to the maintenance of a quota system for wheat has already been made. (See Government control of wheat price and imports.) A decree published on February 27, 1932, authorizes the Government to fix maximum quantities of imports for any product during specified periods.

11. *Cotton export bounty and production premium*.—A decree of April 22, 1932, provides for the payment of an export bounty on cotton produced in the Portuguese colonies and transported on Portuguese ships to the mother country for domestic consumption. The actual amount of the export bounty will vary on the basis of the average quotations for raw cotton on the Lisbon exchange in the month during which the cotton is exported. If, however, the Lisbon quotations are lower than the monthly average quotations of "good middling" on the New York exchange, the latter quotations will be taken as a basis for the determination of the bounty.

The decree also provides for the accumulation of a fund for the encouragement of cotton growing which will be obtained by increasing the present tariff rates on foreign cotton goods imported into Angola and Mozambique by 15 percent and the rates of cotton goods imported into Portugal (islands included) by 20 percent.

The funds thus collected will be used in paying a production premium to growers who produce cotton of specified varieties; for the purchase and distribution to growers of selected seed; for paying subsidies to cotton mills and manufacturing establishments which maintain experiment stations for the production of selected cottonseed; and for extension work regarding methods of cultivation and plant protection. The actual amount of the production premium has not been fixed as yet.

It might also be mentioned that all material needed in cotton growing, such as selected seed, fertilizers, chemicals for plant protection, packing material, and also tractors, cleaning, pressing, and packing machinery, including spare parts, as well as the equipment for cotton laboratories and weather observatories, can be imported duty free.

12. *Special aid to olive growers*.—The Government of Portugal is actively interested in bringing about an increase in the domestic production of olives. For that reason the importation of olives is subject to authorization from the Government and is always kept in the limits indicated by the domestic supply and demand situation for the domestic product. Moreover, by a decree of December 10, 1931, olive growers enjoy special advances from the Government for financing the harvesting of the crop. The Government was authorized to advance up to 100 escudos per 100 liters (\$12.07 per 100 gallons at exchange rate for Dec. 10, 1931) of oil expected to be produced. These advances were to be repaid by the end of February 1932, plus 8 percent interest. On the basis of a decree of December 5, 1932, these advances were increased to 200 escudos per 100 liters (\$22.83 per 100 gallons at exchange rate of Dec. 5, 1932) of oil expected to be made. As before, the advances were to be repaid by the end of February 1933, plus 8 percent interest, but the decree authorized the extension of the payment date if approved by the National Credit Bank.

RUMANIA

Rumania has been, on the whole, rather more conservative than the other Danubian countries with respect to the extent and nature of her Government intervention in support of prices of agricultural products. During the decade immediately following the war the emphasis in her economic policy was on the side of promoting industrial rather than agricultural enterprise. Nevertheless, agriculture was and is Rumania's most important industry, 45 percent of her exports consisting of cereals, livestock, and livestock products; and since the catastrophic decline of prices of farm products in 1929 the economic policy of the country has been characterized by a greater solicitude for the agricultural interests than formerly. This has been manifested in an increasing degree of government intervention in aid of the farmers.

In part, perhaps, because of the greater relative importance of nonagricultural pursuits in Rumania than in the other Danubian countries (Bulgaria, Yugoslavia, and Hungary), the price-supporting measures adopted in Rumania have been, on the whole, rather less drastic than in the other three countries; but measures of this sort there have nevertheless been. The most important of these have been in the direction of artificial stimulation of exports. In respect to cereals such measures have included export premiums on wheat

and flour, reduction of freight charges on corn for export, and particular emphasis on cereals in the negotiation of preferential trade treaties with other countries designed to secure more favorable foreign outlets for Rumanian products. But they have also included steps to encourage other exports, notably meat, livestock, and eggs. Other measures of intervention include import restrictions, monopolistic control of tobacco production and trade, and the promotion and regulation of cooperative marketing.

1. *Aid to the cereal industry.*—Rumania's most important price-supporting measures have been in aid of cereal prices. An attempt early in 1931 to put into effect an elaborate marketing act, primarily to assist the grain grower, proved unsuccessful. But from August 1, 1931, to April 22, 1932, an export premium on wheat and wheat flour was in effect, and early in 1932 the State railroads of Rumania granted a reduction in the freight rate applying to corn moving to export points.⁶

(a) *The agricultural marketing act of April 1931.*—In April 1931 an agricultural marketing act extending aid to the Rumania cereal producers and imposing monopoly control over the whole grain-marketing system went into legal effect; but in the same month, before it could become really operative, the whole act was abolished by a new Government. A National Agricultural Trading Company, a Union of Cereal Exporters, a Millers' Control Office, and a Millers' Syndicate, which had been provided in the act, apparently were abandoned along with the act. Along with these provisions were abolished those for export premiums on agricultural products and other more or less direct form of farm relief, as well as a consumption tax on wheat milled into flour included to furnish the funds for administering the act.

(b) *Export bounty on wheat and flour.*—A new agricultural marketing act, which went into effect on August 1, 1931, provided for an export premium of 100 lei per quintal (16.3 cents a bushel) on wheat having a test weight higher than 59 pounds a bushel and containing less than 4 percent of foreign matter. An export premium was also provided for flour at the rate of 130 lei per quintal (69 cents a barrel, this being equivalent to about 20 cents a bushel on the wheat content).

The funds necessary for paying such premiums are derived from a tax on bread, amounting to 1 leu per kilo (0.3 cent a pound) on white bread and half a leu per kilo (0.14 cents a pound) on dark bread. The local town mayoralties did not permit a general rise in bread prices when the tax became effective, and bakers attempted to avoid paying the tax. They struck for higher prices on bread, but the Government replaced their output with bread produced in the military bakeries, and their efforts proved unsuccessful.

It soon developed that a great deal of the wheat on which the export premium was paid contained a considerable admixture of rye, and in October the Rumanian Government found it necessary to classify rye as foreign matter. The payment of export premiums was then limited to wheat having a total foreign-matter content, including rye, of less than 40 percent. In the case of wheat containing 20 to 40 percent of foreign matter, the export premium was based on the pure wheat content alone. It was announced also that during the next crop year the premium would be paid only on exports of wheat that contain less than 5 percent of foreign matter.

Finally, on April 22, 1932, the export premiums on wheat and wheat flour were abolished. A considerable portion of the premiums remained unpaid, the total amount of arrears being estimated at 400,000,000 lei (about \$2,400,000). The nonpayment of the premium caused considerable concern among wheat exporters, and the Ministry of Agriculture tried, unsuccessfully, to secure a loan from the National Bank for the purpose of making payment. Notwithstanding this disappointment, the Government resumed payment of the premium, and by June had reduced the unpaid balance to about \$1,500,000. In the meantime the bread tax, amounting to 1 leu per kilo on white bread (0.27 cent a pound) and 0.5 leu per kilo on dark bread (0.14 cents a pound), continued to be collected as a source for the necessary funds.

(c) *Aid to the export of corn.*—In the spring of 1932 the Rumanian State railroads made a 30-percent reduction in freight charges on corn destined to ports or frontier stations. Corn is Rumania's most important agricultural

⁶ In November 1932, the Government took steps to moderate wheat prices, which had increased sharply owing to a short crop. It announced that it contemplated permitting the free importation of wheat, and in December reduced the freight charges on corn and rye by from 25 to 33 percent in order to encourage their substitution for wheat.

export, and Rumania is one of the world's leading exporters of corn, although she is far outranked by Argentina in this respect. It was reported in April 1932 that negotiations between representatives of the two countries were in progress for the establishment of a corn cartel between them. Earlier efforts on the part of the Rumanian Government to aid exports through international action included negotiations for duty concessions on Rumanian corn entering Germany and France. A concession of 30 percent of the duty has been in effect for some time on Rumanian corn entering France, and it was expected that a similar concession from Germany would soon become effective also. These negotiations are discussed in greater detail below under section 4.

2. *The Rumanian Livestock Export Act of 1930.*—On August 26, 1930, a law for organizing the export trade in livestock and fresh meat into an association of syndicates became effective. The organization was to be carried out through the joint efforts of the Department of Agriculture and Public Domains and the Department of Industry and Trade. In laying out their program, the two departments were to take into consideration the productive capacity of Rumania and the potential demand of foreign markets. The country was divided into districts and in each one the livestock breeders were to be organized into syndicates having the status of legal persons. For the purpose of coordinating the work of the individual syndicates, a Central Union of Livestock Syndicates was set up in Bucharest by the district syndicates. Both the central union and the district syndicates were to operate according to bylaws approved by the Rumanian Council of Ministers. Their activities were to center on promoting the exportation of livestock and the finding of new markets.

Immediately upon the enactment of the new law, the central union was established and rules were drawn up to secure more orderly marketing in the exportation of cattle. These regulations provided for free exportation of cattle only to those foreign countries not restricting the importation of Rumanian cattle. For the exportation of cattle to countries which restrict the importation of Rumanian cattle, the syndicate established quotas for the different regions of Rumania in proportion to the exports of the last 5 years. For this purpose Rumania was divided up into six regions where regional syndicates for the exportation of cattle were to be established. Finally, arrangements were made also for the members of these syndicates to be permitted to export cattle free of export duty.

Immediately following the establishment of the central union, the district syndicates were organized. Special commissions were sent to the Near East in search of new markets and as a result of their reports the attention of Rumanian exporters was drawn to new outlets for livestock and meat. Endeavors were made to improve shipping conditions and to facilitate the exportation of meat and livestock. In this connection, control bureaus were set up to eliminate unethical practices. The program also included the arbitration of disputes between competing groups of exporters. All efforts were focused upon replacing competition with cooperation among Rumanian exporters of livestock and meat.

3. *Aid to exports by standardization of eggs and other products.*—A law passed in May 1930 provided that the export tax on standardized eggs should be one fourth as great as that on unstandardized eggs. When no export tax is levied on the standardized product, the unstandardized must pay 1 leu each on exportation. Regional marking offices are established to mark the standardized eggs and control offices are established at export stations as a further check. The object of this legislation is to encourage the exportation of a product of uniformly high quality. To this same end, exports of fruit and grapes were brought under government control in November 1930, quality, condition and packing being made subject to government regulation.

4. *Aid to exports through international negotiations, chiefly for trade preferences.*—In common with the other countries of the Danube Basin, Rumania has endeavored to secure preferential entry for her agricultural products into the markets of central and western Europe. She has participated in the conferences of 1930–32 by means of which the efforts of the four Danubian countries in this direction have been coordinated. (For a more complete statement on these Danubian conferences, see ch. VII, above.)

In furtherance of the preferential idea contemplated in common by the Danubian countries, Rumania has already negotiated bilateral agreements with several of the agricultural deficiency countries of Europe as a means of pro-

moting her exports. On August 27, 1930, France and Rumania signed a commercial treaty for reciprocal most-favored-nation treatment. In addition to granting Rumania her minimum rates of duty, France conceded a 30 percent reduction in the French import duty on a specified quantity of yellow feed corn to be fixed annually by the French Ministry of Agriculture. Concessions on the part of Rumania were mostly in the duties on industrial goods, though there were also concessions on some agricultural products of minor importance, such as peanuts, dates, arrowroot, and cheese.

On January 5, 1932, an agreement supplementary to that of 1930 was signed by the two countries. Each country continued the duty concessions that it had granted to the other, subject to some modifications. The reduction in the French duty on Rumanian feed corn, a reduction of 30 percent below the French minimum rate, was increased to 40 percent upon the approval of the French Parliament. It was also stipulated that an annual import quota of 300 hectoliters (7.925 gallons) of Rumanian liquors and spirits was to be permitted entry into France. These articles were provisionally effective at once and soon became definitely effective after the exchange of ratifications between the two countries.

Another article containing a duty concession on wheat and included as a separate supplement in the agreement of January 5 did not become legally effective until May 1932. On May 22 France published a decree setting forth the terms of this article as finally agreed upon, and extending its benefits to Rumania and Yugoslavia. According to the decree, in September or October (as soon as the French Minister of Agriculture is informed of the size of the French wheat crop) contingents shall be fixed for the wheat to be imported from each of the two countries during the year. Each contingent is equal to 10 percent of the total quantity of wheat to be imported by France. The wheat enters France at the regular minimum rates of duty; but for each quintal (220 pounds) of wheat imported from these countries, the French Government will remit to their respective Governments a sum based on the difference between the world price level (at which the French importers purchased the wheat) and the price which the exporters in the two respective countries consider as remunerative. This sum is to be fixed annually by agreement between the interested Governments; but in any case it is not to exceed 30 percent of the French minimum duty. In substance, then, the agreement grants what amounts to a provisional reduction of the French minimum tariff on wheat not to exceed 30 percent of that duty and not to be applied to a quantity exceeding 10 percent of total French imports in the case of either exporting country. The arrangement is to remain in effect for 3 years and may be renewed at the end of that time.

On June 27, 1931, Germany and Rumania signed a commercial treaty granting reciprocal tariff concessions to each other. Included were a 50-percent reduction of the German autonomous duty on fodder barley and a 60-percent reduction of the duty on corn. These preferences were not to be extended by Germany to countries other than Rumania. Accordingly it was provided that the exclusive preferential feature would not become effective until the approval of countries having most-favored-nation treaties with Germany had been obtained. Progress in this direction proved slow and on December 19, 1931, another agreement between Germany and Rumania was signed for the purpose of expediting matters. This agreement was in the form of a protocol to the provisional most-favored-nation agreement of June 18, 1930. By this protocol both countries obligated themselves to take all proper steps to remove the obstacles that still rendered the exclusive preferences of the June 27 agreement ineffective and to put the treaty into effect by February 1932. However, it was later reported that, owing to opposition from countries having most-favored-nation treaties with Germany, the exclusive preferences granted to Rumania had not as yet become effective. At the same time it was reported that negotiations were still in progress.

In the new protocol of December 1931 Germany granted to Rumania an annual import contingent during 1931-33 of 6,000 head of cattle for slaughter and an annual contingent of 80,000 hogs to be used in meat-packing plants. The quota for cattle was to be increased from 6,000 to 7,000 head if in any one year more than 90 percent of the annual quota was used. The conventional rate of 16 reichsmarks per 100 kilos, already granted to Sweden for the same number of cattle, was to apply.

A most-favored-nation treaty between Austria and Rumania containing reciprocal duty concessions was signed on August 22, 1931, but the concessions were

not exclusive. Provisions relating to import contingents for hogs and cattle had already come into effect (retroactively, as of July 19, 1931) by an exchange of notes dated July 23, 1931, while the remaining articles were to become effective on September 7, 1931. The continuation of the treaty was made subject to certain conditions. One of the most important of these was the special agreement of July 23 which was incorporated as an integral part of the treaty. This provided for reduced Austrian duties on given quotas of Rumanian cattle, hogs, pork, and beef, as follows: Live cattle for slaughter, for an annual quantity equal to one half of the number imported by Austria from Rumania in 1930 (not to exceed 432 head weekly), 9 gold crowns per 100 kilos (83 cents per 100 pounds); live hogs: (a) weighing over 40 and up to 150 kilos each (over 88 and up to 331 pounds each), for an annual quantity of 20,600 head, 18 gold crowns per 100 kilos (\$1.65 per 100 pounds); (b) weighing over 150 kilos each (331 pounds), free (quantity not to exceed 900 head per week, regardless of weight per head); slaughtered hogs and pork, for an annual quantity of 2,000 metric tons (8,809,200 pounds), 26 gold crowns per 100 kilos (\$2.39 per 100 pounds); beef, for an annual quantity equal to 30 percent of the contingent of 100 metric tons (220,460 pounds) which are permitted into Austria per week, 23 gold crowns per 100 kilos (\$2.11 per 100 pounds). These duty concessions were to be effective until October 31, 1931, but were to be superseded by a similar arrangement upon their expiration. If they were not renewed, the whole commercial treaty was to expire with them.

Another concession to Rumanian agricultural products was granted by Austria on dried apricots, the new rate being 12 gold crowns per 100 kilos (\$1.10 per 100 pounds), instead of 20 gold crowns per 100 kilos (\$1.84 per 100 pounds) as formerly.

The foregoing concessions, as stated above, were not exclusive in nature, being generalized to other countries having most-favored-nation agreements with Austria. It is to be noted, however, that Austria and Rumania both reserved to themselves the right to enter into special arrangements with third parties to the exclusion of each other under certain conditions. They agreed that the most-favored-nation clause should not be applicable "to new rights or privileges which may be granted in the future by one of the high contracting parties in multilateral conventions in which the other does not participate, provided the said conventions are concluded under the auspices of the League of Nations or registered with the latter and may be freely adhered to by any state; however, the benefit of the rights or privileges in question may be claimed by the interested high contracting party if the said rights or privileges are also stipulated in conventions other than the multilateral conventions as described above, or if the party claiming this benefit is disposed to grant reciprocal treatment."

Upon its expiration at the end of October 1931 the above treaty was immediately renewed, to be effective until December 31, 1931. This time Rumania was authorized to export to Austria a quota of 365 oxen, 900 hogs, and 20,000 kilos (44,092 pounds) dressed meat per week. The treaty was later prolonged again several times; it was reported as late as December 1932 that a new *modus vivendi* was put into effect on October 22, 1932.

Besides aiming to secure trade preferences in other countries, Rumanian international negotiation has had for its object the formation of international cartels to aid the export market in respect to several countries at once. For example, the Government cooperative of Rumania has entered into an agreement with the corresponding organizations of Bulgaria and Yugoslavia whereby each is to keep the others informed daily of their sales prices so as to maintain the same level of prices. In April it was reported also that the Rumanian Government was negotiating with Argentina for the establishment of a corn cartel for the control of the world's export trade in corn. (Argentina supplies about 70 percent of the world's exports of corn and Rumania about 10 percent, these ratios being subject to wide fluctuations in some years.)

5. *Import restrictions.*—Rumania has been following a definitely protectionist policy since the war, especially as regards domestic manufacturing. She levies high duties on many agricultural products as well; but inasmuch as the more important farm products are exported in quantity, the protection granted them is largely nominal except insofar as trade is subject to artificial control. Some of the rates of duty levied on Rumanian agricultural products were as follows as of January 1932 (converted to United States currency at par): Corn, 5.6 cents a bushel; wheat,⁷ 25.8 cents a bushel; wheat⁷ flour,

⁷ On Sept. 14, 1932, wheat and rye duties were increased to 65 cents and 61 cents per bushel, respectively, and the duty on all flours increased to about \$1.63 per 100 pounds.

\$1 a barrel, including a turnover tax of 2.2 percent ad valorem on official valuation basis; and wool 27 cents per 100 pounds when imported in the natural raw state and 76 cents per 100 pounds when washed and scoured. Of the foregoing list, wool alone is on a net import basis and thus in a position to benefit through a possible price raising effect of the tariff.

A peculiar case is presented by the tariff on sugar, which appears to be effective in raising the domestic price although the country is on an export basis for sugar. This situation arises from the fact that the manufacture of sugar in Rumania is carried on by a closely-knit cartel which regulates the beet plantings and prices and fixes the price of sugar. A policy of high retail prices maintained by the manufacturers led to modification of the import restrictions on sugar by the Government.

Until February 27, 1932, the import duty on refined, granulated sugar was 22.50 lei per kilo (\$6.12 per 100 pounds), general tariff, or 15 lei per kilo (\$4.08 per 100 pounds), preferential tariff; for lump sugar the import duty was 24.75 lei or 17.50 lei (\$6.74 or \$4.76 per 100 pounds), respectively, per kilo. These duties were lowered by a law passed on February 20, 1932, and promulgated on February 27, 1932, to 4.0 lei per kilo (\$1.09 per 100 pounds) for granulated sugar, both maximum and preferential tariff, and 5 lei per kilo (\$1.36 per 100 pounds) for lump sugar, both tariffs. The law, moreover, contains a paragraph reading: "In view of the currency exchange market, the importation of sugar is to be contingentated. The quotas will be fixed by the Cabinet." The practical effect of this paragraph was to put the control of the price of sugar into the hands of the Government, including the control of the retail price.

On November 24, 1932, a new law went into effect authorizing the Ministry of Industry and Commerce to regulate imports by establishing quotas. In December this administrative control was applied to a wide range of products, mostly industrial.

Of special interest to the United States is an import prohibition on American apples on the ground that they contain arsenic in harmful quantities. The prohibition was established on August 19, 1931, canceled on February 26, 1932, and renewed on April 2, 1932. In addition, the duty on foreign apples was increased on April 20 from 1,000 lei to 2,500 lei per 100 kilos (from \$2.72 to \$6.80 per 100 pounds).

6. *Tobacco monopoly*.—Until February 1929 the Rumanian tobacco monopoly was under the direct control of the Ministry of Finance. On that date the tobacco and cigarette paper monopoly, along the several other monopolies, such as those in match and salt, were concessioned for a period of 30 years to the Autonomous Monopolies Institute, commonly known in Rumania as the "C.A.M." The C.A.M. is operated on a commercial basis independent of the general state budget, having been established primarily to furnish a reliable source of income offerable as a guarantee for state loans. Under the monopoly accorded to it by the Government in the production, manufacture, and sale of tobacco and tobacco products, the C.A.M. controls the growing operations of farmers and fixes the prices received by them.

Tobacco is cultivated in Rumania by small farmers who have obtained a special authorization from the C.A.M. and who bind themselves to sell their entire production to the monopoly at prices previously established. Sowing and harvesting operations are under the control of inspectors who check, grade, and weigh the crop. After being harvested, the tobacco is delivered to the C.A.M. in bales of 30 to 80 kilos (66 to 176 pounds) consisting of bundles of 30 to 40 leaves. The farmers transport the tobacco with their own oxen- or horse-drawn carts to the nearest C.A.M. depot where the bales are weighed again and the production of each farmer checked with the records of the inspectors. The farmers are responsible for shortages in delivery in excess of a certain percentage, which varies according to the degree of humidity and the quality of the tobacco. The tobacco delivered by the farmers to the various storage centers of the C.A.M. is sent to curing depots. There are 26 such depots in the country and the construction of others is pending.

The Rumanian tobacco products are manufactured by six factories situated in the following cities: Bucharest, Timisoara, Cluj, Jassy, Kishinau, and St. Gheorghe. Tobacco destined for export is neither exported directly by the monopoly institute or by private parties who have bought it from the institute. In the latter case, the tobacco remains in the warehouses of the monopoly until it is shipped abroad. Tobacco products may be sold only by dealers authorized by and under the control of the C.A.M.

There are three categories of tobacco stores in Rumania: (a) Special stores where the dealers are authorized to sell only monopoly products, for which they receive a commission of 7 percent on the retail price; (b) ordinary stores where the dealers are authorized to sell other goods not competing with the monopoly products (as regards this type of store the C.A.M. pays a commission of 3 percent on the retail price of its products); and (c) village stores where the dealers receive a commission of 5 percent on the retail price.

7. *Government intervention in cooperative marketing.*—In March 1929 the cooperative movement of Rumania underwent a radical reorganization. On that date a "Law for the organization of the cooperatives" became effective, having for its chief purpose the coordination of the activities of cooperative societies. The movement was to be stimulated by the granting of special legal and fiscal advantages.

The present law requires the various cooperative societies to form unions for the purpose of coordinating and controlling their activities. All the cooperatives which failed to join such a union before March 28, 1930, lost the advantages granted them by the new law. The unions have no capital and the members of their boards are elected by the various cooperative societies, the activities of which are controlled by the unions. The unions in turn are guided and controlled by the National Office of Rumanian Cooperation, attached to the Ministry of Labor. The national office is managed by the General Council of Cooperation. This council consists of 5 members appointed by the Government, 9 members appointed by the cooperative societies, 1 delegate from the central cooperative banks, and 3 specialists nominated by the above members.

The new law provides also for the organization of a Central Cooperative Institute for Export and Import formed as a joint-stock company the shares of which are owned by the cooperatives and whose purpose is to supply the societies with necessary articles as well as to sell their products. This institution is located in Bucharest and is, as a matter of fact, the business organ of the cooperatives, being managed by a board of 11 members elected from the delegates of the associated cooperative societies.

The Institute for Import and Export is authorized to perform the following operations: (a) To buy on the demand and for the account of the associated cooperative societies any agricultural implements and machinery, grains, fertilizers, and other goods required by them; (b) to receive on consignment goods to be sold on a commission basis to the associated cooperative societies; (c) to take over the representation of products needed by the associated cooperative societies; (d) to sell the products of the associated cooperative societies on a commission basis; (e) to organize in common the sale of the products of the cooperatives and their members, concluding contracts for them or facilitating their conclusion between the buyers and sellers; (f) to advance money on account of the products deposited for sale or contracted to be sold in accordance with the rules established each year by the meeting of the general assembly and to conclude loans for this purpose; (g) to fill through the associated cooperatives orders received from the Government or other institutions; (h) to collaborate with the cooperatives in improving the qualities of the products and in establishing grades with a view to better prices; (i) to employ specialists for guiding the producers and for organizing production and sales; (j) to organize information agencies and establish representatives in the country and abroad; (k) to buy and construct buildings necessary for the operation of the Institute for Import and Export; and (l) to participate as an associate in any kind of enterprise in order to achieve its objects.

The chief financier of the Import and Export Cooperative is the Central Cooperative Bank, which is a quasi-governmental institution organized for the purpose of financing the cooperative movement.

According to the new law, the capital of each cooperative must consist of individual parts having an equal value. Each share must have a minimum value of 500 lei (\$3) and the maximum number of shares which a member can hold is limited to 100. With the special approval of the National Office of Rumanian Cooperation, which is the supreme controller of cooperation matters, the societies can issue shares, but only in the name of the bearer, i.e., nominal shares.

It was reported in April 1932 that the Rumanian Central Import and Export Cooperative had closed agreements with leading cooperatives in Czechoslovakia, Holland, and France. The foreign cooperatives agreed to represent the Rumanian cooperative in their respective countries. It was believed that they

would be able to accept about 25,000,000 bushels of Rumanian corn. At about the same time the Rumanian cooperative entered into an agreement (noted above under aid to cereals) with the corresponding central organizations of Bulgaria and Yugoslavia for each to keep the others informed daily as to its sales prices, so as to maintain the sales prices for all three countries at about the same level.

8. *Credit aids*.—Although primarily undertaken for other purposes, financial assistance to agriculture may help farmers to control the flow of their produce to market and to make readjustments in their program of farm production. Drastic action in the form of partial cancelation was taken in April 1932 to relieve the Rumanian farmer of the burden of indebtedness. On that date a bill for the conversion of agricultural and viticultural debts, which the Rumanian Government presented to Parliament in October 1931 was finally passed. In general the act involved a scaling down of the peasants' debts. With certain exceptions the debts of agriculturists owning 10 hectares or less were reduced by 50 percent and made legally convertible into liabilities to be amortized over a period of 30 years at an interest rate of 4 percent per annum.

Likewise, with certain exceptions, the debts of farmers owning land in excess of 10 hectares (25 acres) were scaled down by varying percentages dependent upon the year in which the debts were contracted. Reductions of 10, 20, 30, 40, and 50 percent were applied to debts concluded in 1931, 1930, 1929, 1928, and 1927, respectively.

The cancelation of debts on a large scale undertaken to assist agriculture had many unfortunate effects on the financial structure. The credit system of the country, according to some reports, was practically destroyed and a majority of the medium size and small banks were plunged into failure. Subsequently, on October 26, 1932, a law was passed for the modification of the law of April 1932. The new act suspended for a period of 18 months final settlement between creditors and agricultural debtors whose status was established by the farm debt conversion law of April 1932.* A general moratorium for a period of 6 months was granted to all agricultural debtors falling within the provisions of the conversion law of April 1932, during which period no foreclosure could be made against them. This moratorium was extended by a further period of 12 months for all agricultural debtors who in the meantime were found by the courts entitled to benefit under the provisions of the conversion law in its modified form.

SOUTHERN RHODESIA

The agricultural price-supporting measures enacted in southern Rhodesia relate mainly to industries on an export basis, such as tobacco, corn, dairy products, and livestock. The most interesting of these is the maize control act of 1931. Import duties, however, have also been resorted to and at the present time southern Rhodesia maintains duties on a long list of agricultural products.

1. *Control of the corn trade: the Maize Control Act of 1931*.—Since June 1, 1931, a plan has been in operation for lifting the exportable surplus of corn (maize) from the domestic market and selling it abroad for whatever it will bring, while at the same time maintaining the domestic price at a level materially higher than that of the export price. The burden of selling corn at the lower export price level is distributed equally among the producers on the same general principle as the equalization fee plan proposed in the United States.

The plan is set up in the Maize Control Act of 1931 and is to remain in effect until May 31, 1934. Under this act practically all corn entering commercial channels becomes the property of a maize control board consisting of 10 members, 6 of whom are chosen to represent the farmer's interests. On receiving corn, the board issues "participation certificates" to the growers. It disposes of as much of the corn as it can to domestic dealers at prices which it fixes above world levels and then markets the surplus corn abroad at the lower world prices. Growers are paid in part before the end of the marketing season. On May 31 a final settlement is made, each grower receiving returns according to the number of bushels which he has assigned to the board. The average price which he receives is somewhere between the price charged by the board in selling to domestic dealers and the world-parity price.

The net price eventually received by the producer is, of course, lower than the price fixed by the Government on sales for domestic consumption, but is higher than world parity, at which all of the crop would otherwise have been sold. The difference between the artificially sustained domestic price and the world price is spoken of as a loss on the exports of surplus corn. Compensation for this "loss" does not take the form of an outright levy but is represented in the difference between what the grower gets for his corn and what the maize control board charges the dealers who supply the domestic market. There is thus no actual fee assessed back against the producer; but apart from this, the method is similar to that involved in the so-called "equalization fee." Essentially, what the plan does is to lift the surplus from the domestic market, permitting the remainder to be sold in the home market at prices high enough to compensate for "losses" on the portion exported and still enable the Government to pay the growers higher prices than those prevailing in the world market.

The creation of a Maize Control Board was in itself a step of major importance. As previously mentioned, the board consists of 10 members appointed by the governor; 5 of them are representatives of the maize cooperative societies; 1 is representative of the Maize Growers' Association; 1, the Government; 1, the consumers of corn; 1, the Salisbury Chamber of Commerce; and 1, the Bulawayo Chamber of Commerce. The first 6 represent the corn growers and the last 2 represent the dealers, thus affording to the growers complete control over the policies of the board.

The main powers granted to the Maize Control Board are (a) to borrow money to enable it to carry out its functions and to make advances to producers; (b) to enter into contracts for carrying out any work in connection with the handling, milling, treating, storage, grading, sale, or export of maize and maize meal; (c) to dispose of any corn in its possession on any terms it deems best; (d) to grant advances and make disbursements on the account of any producer or dealer; (e) to make rules relating to the receipt, handling, storage, and dispatch of corn by its local agents; (f) to make interim distributions to producers and dealers of the proceeds of any sale after deducting the amount of any advances or disbursements previously made and any costs that may have been incurred.

A considerable portion of the maize production of Southern Rhodesia is exempt from the control of the board. In particular, corn to be consumed on the farm where grown does not become the property of the board. Imported corn is exempted from control when for consumption by the importer or his dependents, servants, employees, or stock. The law further provides that "any maize or maize meal, the acceptance of which has been declined by the board, shall not vest in the board, and may be sold or otherwise disposed of as the owner thinks fit"; and "any maize intended for seed shall not vest in the board and may be sold by the producer, but at a price not less than 5s. per bag (34.1 cents per bushel) in excess of the current price of maize fixed by the board from time to time." Moreover, the board can by regulation exempt from the provisions of the act, the corn grown in any defined area, in which case it may be sold or otherwise disposed of as the owner thinks fit. Other exemptions apply mainly to stocks on hand when the act was adopted. Corn and corn meal up to the amount of 15,000 bags (53,600 bushels) held by any trader-producer or dealer as on June 1, 1931, and corn and corn meal required for the completion of any lawful contract duly entered into on or before April 3, 1931, and registered with the board, are exempted from the control of the board. This last provision exempting stocks on hand, etc., ultimately proved a serious impediment to the success of the board's operations for the first year, as will be explained in a moment.

Under the authority granted by the Maize Control Act, the board on June 10, 1931, fixed the opening prices at which it would sell corn in southern Rhodesia. These opening prices varied from 68 cents a bushel at Salisbury, which is nearer the seaboard, to 75 cents a bushel at Fort Victoria, which is further inland. The average price received by the board for local sales during the first year of the act amounted to about 62 cents a bushel, while the price received for export sales amounted to about 34 cents a bushel. The first payment made by the board was 34 cents a bushel and the final payments varied by grade from 34 cents to 44 cents a bushel. Approximately 86 percent of the corn brought producers 44 cents a bushel. It is contended that if it had

not been for the maize control act, the pressure of the exportable surplus would have reduced the local price to the lower export parity.

During the first year of the operation of the Maize Control Act the board took the bulk of the corn crop of 1931. Out of the total crop of 5,712,000 bushels the board took over 4,000,000 bushels. There was a carry-over of competitive corn from the previous year of 992,000 bushels. During the year ending May 31, 1932, the board sold only 1,238,000 bushels in southern Rhodesia, although a normal consumption is twice that figure exclusive of corn used on farms by producers. Exports for the year amounted to 2,503,000 bushels, leaving a carry-over of 393,000 bushels.

The marketing of the 1931 crop had already proved more difficult than had been anticipated. Three important factors contributing to the marketing difficulties of the board were: Unusually large sales off the farms, competition in the domestic market from corn exempted from the act, and diminished demand in the export market. Whereas producers had previously been absorbing some 2,606,000 bushels of corn annually, they took only 1,250,000 bushels of the 1931 crop, disposing of an additional 1,356,000 bushels to the board. With the total surplus estimated at 2,142,000 bushels, an unusually large figure, the increased marketings by farmers account for about 63 percent of the surplus. In disposing of its supplies the board encountered further difficulty in the shape of competition from the supplies exempted from its control. These latter totaled 329,207 bags (1,175,000 bushels), consisting of 53,270 bags (190,000 bushels) held for contracts previously existing, 97,500 bags (348,000 bushels) produced in exempted areas, and 178,437 bags (637,000 bushels) exempted from control. Most of this million bushels of corn was sold in the domestic market in direct competition with the board. Disposal of the 1931 crop was also rendered more difficult by reduced demand both at home and abroad. In the domestic market limited activity of the copper mines restricted their takings, which normally are an important factor in the demand, while in the export market a smaller demand from the Congo and northern Rhodesia was apparent.

Vexatious regulations relating to the sale of grain to natives, and local corn trading in small quantities have been removed so that most of the opposition to the law has now disappeared. The extension of the law beyond 1934 is being urged. The exempted areas will probably be reduced or eliminated owing to competition from those areas which are now enjoying the benefit of high local prices without sharing the burden of low export prices.

2. Import duties.—The southern Rhodesian tariff law at the present time provides for 3 schedules of duty, 1 in respect of goods which are not entitled to preferential treatment, 1 in respect of goods from the United Kingdom and British possessions which grant reciprocal privileges (viz, Canada, Australia, and New Zealand), and 1 in respect of goods from British colonies protectorates, or possessions which do not reciprocate. Action has recently been taken to put into force new or increased margins of tariff preference on goods imported from the British Empire in accordance with the agreements reached at the Imperial Economic Conference at Ottawa late in 1932. Illustrations of the rates which she imposed on imports of agricultural products from countries outside the British Empire as late as December 1, 1932, are given below.

On live cattle for slaughter the duty is £1 10s. (\$7.30 at par) per head; on butter, 2¼d. (4.56 cents) per pound; on cheese, 30 percent ad valorem or 4½d. (9.12 cents) per pound, whichever is the greater; on butter substitutes and other edible vegetable fats, 4d. (8.10 cents) per pound; on wheat, 1s. 2d. per 100 pounds (\$0.17 per bushel); on wheat flour, 2s. 6d. per 100 pounds (\$1.67 per barrel); on barley, buckwheat, kaffir corn, millet, oats, rye, and corn, 2s. (49 cents) per 100 pounds; on corn meal, 3s. (73 cents) per 100 pounds; on eggs in the shell, 1d. (2.03 cents) per pound; on fresh fruits, 5 percent ad valorem; on dried fruits of all kinds, 2¼d. (4.56 cents) per pound; on lard or edible meat fats, 1¼d. (2.53 cents) per pound; on all meats, 1¼d. (2.53 cents) per pound; on potatoes not intended for seed, 2s. (49 cents) per 100 pounds; on other fresh vegetables, 5 percent ad valorem; on unmanufactured tobacco, 3s. 6d. (85 cents) per pound; on sugar (candy, loaf, castor, icing, and cube) 6s. (\$1.46) per 100 pounds; and on other sugar, 4s. 6d. (\$1.09) per 100 pounds.

3. Other price maintenance measures.—Other assistance has taken the varying forms of a dairy products control scheme resembling the Paterson plan in Australia (see Australia), a straight export bounty on beef and cattle shipped overseas, an indirect premium on the milling of domestic wheat, and control of the tobacco trade.

(a) *Butter and cheese*.—In harmony with her neighbor, the Union of South Africa, Southern Rhodesia has created a dairy industry control board (effective October 1, 1931) to supervise a plan in connection with butter and cheese similar to the Paterson plan in Australia. (See Union of South Africa.) The control board collects a levy of 1d. per pound (2 cents at par) on all butter and cheese manufactured for sale either in creameries or on farms. Out of the fund derived from this levy, bounties are paid on the exportation of these products. Imports from foreign countries are prohibited except under a special license granted by the Minister of Agriculture, neighboring members of the British Empire alone being exempt from this requirement.

(b) *Cattle and beef*.—The Government of Southern Rhodesia also pays a bounty on exports of meat. The amount of the bounty is 1 cent a pound on dressed beef. The payment of the bounty is limited to cattle for which the purchase price is not less than \$2.14 a hundred pounds on the hoof. In March 1931 the Government of Southern Rhodesia enacted a law providing for the payment of subsidies on exports to overseas markets of meat and cattle for a period of 2 years. The funds for these subsidies were to come from a levy not exceeding 2s. 6d. (61 cents at par) per head on cattle and 6d. (12 cents) per head on calves slaughtered by any person slaughtering five or more head of cattle per annum. The same levy was imposed on live cattle and beef exported from the colony to surrounding countries but not to overseas markets.

(c) *Milling premium for domestic wheat*.—A refund of the duty collected from mills on the importation of wheat has been allowed since September 1931, when the foreign wheat is blended with domestic in the manufacture of flour. In consideration of this refund, millers pay 25s. a bag (\$1.71 a bushel) to the local producers. This supersedes the guaranteed price of 28s. a bag (\$1.78 a bushel) which had prevailed since 1928.

(d) *Tobacco sale and export control*.—During 1930 the Government enacted the "Tobacco sale and export control act." This act established a tobacco control board. The functions of the board in brief are: (1) To establish pools for the marketing of the domestic tobacco crop and to dispose of this tobacco; (2) to regulate and control the sale of tobacco for export; (3) to make interim distributions to producers of the proceeds of sales from the pools and when all of the tobacco in any pool is sold to make final payment of the balance due to producers. A significant feature of the act is the provision that all local tobacco manufacturers must purchase their supplies of leaf tobacco exclusively from the board.

SPAIN

Spain is mainly an agricultural country and agricultural products predominate amongst her exports. Among the agricultural products which she exports in large quantity are olives and olive oil, vegetables, almonds and filberts, citrus fruits, grapes, raisins, wines, hides and skins, rice, and wool. For some important agricultural products, however—notably cotton, tobacco, wheat, and meats—she has been dependent partly or wholly on imports; and with respect to these products she is therefore in a position to raise internal prices by restricting imports. In general the agrarian policy of Spain in recent years has been directed toward bringing about sweeping reforms in agricultural practices. This policy has entailed an increasing amount of Government interference in the agricultural activities of the Nation. The tendencies in the latter direction reached their highest point in the adoption recently of a law providing for sweeping agrarian reform.

Among the measures undertaken by the Spanish Government in recent years to support prices of home-grown products or otherwise to encourage domestic agriculture may be included the following, to be discussed below: Tariffs, wheat trade control and price fixing, a tobacco monopoly, import quotas, fixed prices for sugarcane and sugar beets, subsidy to corn producers, a compulsory pool for the marketing of malaga raisins, fixed prices for rice, special aid to cotton producers, legislation providing for compulsory farming, and finally an agrarian reform law changing the entire aspect of Spanish agriculture.

1. *Tariffs*.—Spain maintains import duties on a wide range of agricultural products. The following rates will serve roughly to indicate the level of her agricultural tariff, these being the rates in effect as of December 1, 1931, including surtaxes and other fiscal charges levied at that time: Apples, 44 cents per 100 pounds; bacon, \$4.89 per 100 pounds; barley, \$1.07 per 100 pounds; corn and corn flour, 62 cents per 100 pounds; cotton, \$1 per 100 pounds; hams and

shoulders in natural state, \$9.10 per 100 pounds; lard, \$4.89 per 100 pounds; prunes, 53 cents per 100 pounds; rice, 89 cents and \$1.78 per 100 pounds on husked and unhusked, respectively; wheat, 74 cents per bushel, and wheat flour \$3.60 per barrel. It should be noted, however, that imports of wheat are prohibited until the price of wheat in the market of Castile for a month exceeds 53 pesetas per quintal (\$1.22 per bushel at the exchange of Apr. 1, 1933). The same provision applies to wheat flour, of which no imports can be made until the price of wheat reaches the required level.

The Spanish Government has been maintaining a sliding scale tariff in connection with the importation of corn since November 1931. The decree of that date gives the Ministry of National Economy the authority to revise the duty on corn from time to time so as to maintain a balance between production, consumption, and importation.

2. *Wheat trade control and price fixing.*—The Government of Spain has been enforcing legislation of one type or another for several years with a view to maintaining the price of domestic wheat at artificial levels. Spain has large land resources, which, if properly utilized, would possibly place the country on a wheat export basis. Normally, however, the country has been required to supplement her wheat crop by imports. This insufficiency of wheat production is attributed mainly to the fact that the large land owners do not cultivate their farms properly. However, even in years when the domestic crop was large enough to cover requirements, Spain continued to buy foreign wheat because in the coastal regions, where the population is relatively dense and wheat growing is not important, foreign wheat could be obtained at a cheaper price than domestic wheat after transportation charges from the interior were added. The aim of the Spanish Government at the present time is to make Spain entirely independent of foreign sources of supply for wheat. Whether this can be done will depend largely upon the outcome of the agrarian reform now being put into effect (see sec. 13 following). These reform measures will tend to increase wheat production by reason of the intensification of cultivation.

The Royal Government in power up to April 1931, enacted much legislation in regard to wheat. It fixed minimum prices to be paid the farmer for wheat; it regulated bread and flour prices; it prohibited the importation of wheat until domestic prices reached a determined level; it introduced a milling regulation obliging millers to use a fixed percentage of domestic wheat in the milling of flour; it regulated the interior supply conditions by obliging the wheat trade and the farmers to submit regular accounts of all transactions in wheat including stocks, purchases, and prices; and it granted special credits to farmers for the acquisition of selected seed. A few of the more outstanding of these enactments deserve more detailed discussion because of their relation to legislation enacted after the Republican Government came into power in April 1931.

Because of the acute depression in the Spanish wheat market, the Royal Government published a decree effective May 22, 1930, prohibiting the importation of foreign wheat and wheat flour. This prohibition was to remain in force until the price of wheat continued to exceed during 1 month 53 pesetas per 100 kilos in the markets of Castile. This was equivalent to about \$1.80 a bushel at the exchange value of the peseta on June 1, 1930. The law provided, however, that if the price of wheat continued to exceed 53 pesetas per 100 kilos for 1 month, the Council of Ministers would issue permits authorizing the importation of foreign wheat.

This decree was followed by another on June 20, 1930, establishing the minimum and maximum prices at which domestic wheat could be sold during the crop year. The minimum price of first-class domestic wheat was fixed in this decree at from 46 to 48 pesetas per 100 kilos (\$1.44 to \$1.50 a bushel at the average exchange value of the peseta during July 1930), and the maximum price at 53 pesetas per 100 kilos (\$1.66 a bushel at average exchange for July 1930). These fixed prices were to be observed uniformly in all domestic wheat transactions. This law, however, was frequently evaded. Farmers who had to meet pressing financial obligations in many cases secretly agreed with buyers upon prices below the official range.

Shortly after the new republican government came into power in April 1931 it announced that it would continue to fix the price of wheat for the duration of 1 year at a figure which would be remunerative to the farmer but not detrimental to the consumer. It also decided to take steps that would definitely eliminate the practice of selling under the fixed price, and at the same time

restore a greater measure of liberty to the trade. Precaution against buying or selling under the minimum price was taken by imposing heavy fines on buyers or sellers who effected transactions in violation of the law.

This new plan of the republican government for wheat price control during the 1931-32 crop year was announced in a decree dated June 15, 1931. The decree did not alter the previously fixed basic price range of 46 to 53 pesetas per 100 kilos. Rather, it sought to make the system of price fixing more effective. It stipulated that all transactions in wheat during the period of July 16, 1931 to June 15, 1932, should range between a minimum and a maximum of 46 and 53 pesetas per 100 kilos (equivalent to \$1.17 and \$1.34 per bushel at the average exchange rate of July 1931). These prices were to apply to all types of domestic wheat under the condition that the product was clean, sound, suitable for flour manufacturing, and did not contain more than 2 percent of foreign matter and broken grains. The decree also provided for the settlement of any disputes that might arise between the buyer and the seller regarding quality, etc. Regulations were also established providing for the reporting of production and stock statistics and of prices received by growers and paid by millers. In addition the decree authorized the provincial sections of the Ministry of National Economy to fix monthly flour and bread prices in each of the Provinces.

With a view to further strengthening the new law of June 15, 1931, and especially with a view to preventing farmers from selling under the fixed minimum price, a supplementary decree was issued on July 31, 1931. This latter decree prohibited commercial transactions in or shipments of wheat without first securing a "shipping certificate" from the municipal committee of rural police. This "shipping certificate" was to be issued only after both the buyer and the seller had given all details as to the transactions. The certificate had to contain the name of the buyer and the seller, the origin and destination of the product, prices, and the means of transportation used.

The decree of July 31, 1931, also authorized the rural police to act as clearing agents for wheat transactions; that is, they could accept sales offers from the farmers or purchasing offers from the buyers and thus facilitate marketing by bringing the two parties together. A fee amounting to 0.25 peseta per 100 kilos (one-half cent a bushel at the prevailing exchange) was fixed for this service, of which 0.15 peseta or 60 percent had to be paid by the buyer and 0.10 peseta or 40 percent by the seller. The seller, however, had to be a farmer and could offer only his own product. The decree also required all millers to maintain in their establishment at all times a quantity of wheat or flour which would at least equal the quantity of wheat milled or the amount of flour produced during 2 weeks at normal rate of operations.

The formalities connected with obtaining the "shipping certificate" required by the decree of July 31, 1931, and the consequent delays in transactions, soon gave rise to serious complaint. The obligation of executing a sales contract and of explaining all details of the transaction to the local police preliminary to securing the "shipping certificate", was especially objectionable to those engaging in small transactions that were purely of a local character. The Government, therefore, issued a new decree on August 13, 1931, providing that effective August 15, 1931, all transactions in wheat that did not exceed five quintals (18 bushels) would not be subject to this requirement.

This decree was followed by another on August 18, 1931, which set aside certain deficit regions in which the wheat trade of Spain would be subject to no regulations whatsoever. Wheat prices in the exempted regions in the past had always been above those prevailing in other parts of the country. These regions covered specified Provinces which together produced about 30 percent of the total Spanish wheat crop. The exemption of the wheat grown in these Provinces from the provisions of the decrees of June 15 and July 31, 1931, was based on the Government's assumption that wheat prices in those regions would not in any event fall more than a few cents below the minimum prices established in the original law of June 15, 1931.

While about 30 percent of the wheat produced in Spain thus lost in theory, at least, the protection afforded by the minimum price feature of the June 15 decree, and was therefore exposed to the influences exercised by the trade, which, of course, was interested in buying wheat as cheaply as possible, it was believed that those very influences would work to keep prices in the free zone at or above the minimum price fixed for the remaining 70 percent of the crop grown in other parts of the country. It was believed that farmers in the exempted zone would probably offer their stocks as soon as possible after the harvest at prices some-

what below the minimum price level fixed for other parts of the country. Since no wheat could be imported into Spain until the domestic average price reached 53 pesetas per metric quintal (\$1.25 per bushel at exchange of August 18, 1931) and since Spain in general is a wheat-deficit country, the Government felt that the entire crop would be disposed of at satisfactory prices notwithstanding the exemption of the above-mentioned deficit areas from the regulations applicable in the other parts of the country.

Although all importation of wheat into Spain was forbidden until the domestic price level averaged 53 pesetas per quintal during a period of 1 month, the Ministry of Finance on September 21, 1931, authorized the duty-free importation of 20,000 quintals (73,487 bushels) of Manitoba no. 1 wheat for sowing purposes. In this connection it was announced that the general embargo on wheat was to remain in effect but that the Government would issue permits to import specified quantities of special types of wheat from time to time when needed for sowing or for other purposes.

The aggregate result of the above regulations was an actual shortage of wheat in the Spanish market by the beginning of April 1932. In order to prevent a threatened increase in bread prices the Government issued a decree on April 19, 1932, authorizing the importation of 50,000 tons (1,837,000 bushels) of wheat. This amount was deemed sufficient for immediate requirements and it was announced that permits would later be issued for further importation. This decree also specified that the Ministry of Agriculture, Industry, and Commerce would fix the duty to be levied upon wheat which the Government would authorize to be imported. The basis for determining the duty was to be the average quotations on wheat and on Spanish currency in foreign markets, so that the price of imported wheat in the Spanish market would not be less than 53 pesetas per 100 kilos (\$1.11 a bushel at exchange as of April 1932). The decree also provided that no shipment of wheat could be imported without the express authorization of the Ministry of Agriculture, Industry, and Commerce. By subsequent decrees issued on various dates in May and June the Government authorized the importation of more than 10,000,000 bushels of wheat. It was necessary for this wheat to be delivered by July 10, 1932.

A legislative decree applicable to the 1932-33 wheat crop was issued on September 15, 1932. This decree changed somewhat the previous method of regulating the wheat trade. It ordered a census to be taken of the wheat stocks in farmers' hands. A provincial committee for regulating the wheat market (Comision Provincial Reguladora del Mercado de Trigo) was set up in each provincial capital. These committees consisted of government officials, representatives of farmers, and of millers. Their function was to enforce adherence to the maximum and minimum prices fixed for wheat transactions. As in the preceding crop year these prices ranged from a minimum of 46 pesetas to a maximum of 53 pesetas per quintal (\$1.01 to \$1.16 per bushel at exchange of September 15, 1932). These prices were f.o.b. railroad station in the area of production, or, if the sellers preferred, delivered to warehouse of buyers. The wheat was not to contain more than 2 percent foreign matter and broken grains. The decree also provided that special premiums had to be paid for wheat which gave an especially high yield of flour. These premiums were to be fixed by the provincial committees in each individual instance. It also provided that farmers who were unfavorably located in respect to transportation facilities could sell upon special authorization at a minimum price of 44.50 pesetas per quintal (\$0.97 per bushel at exchange of September 15, 1932).

So-called boards of wheat holders (Juntas de Tenedores de Trigo) were set up in every municipality. The function of these boards was to report to the above-mentioned provincial committees all of the wheat transactions made in their several jurisdictions. They are considered as the agents of the provincial committees. The decree of September 15, 1932, also provided that in case the holders of wheat could not find a buyer the provincial committee could act as a broker, negotiating with grain merchants and mills for the purchase.

All millers are obliged to keep a permanent wheat stock on their premises equal to a quantity that will supply work to the mill for 60 days at 8 hours milling per day. Should the miller be unable to find this quantity on the market his provincial committee is authorized to secure it for him. That is to say, the governor of the Province can order the wheat holding boards to sell the required quantity. Should the wheat not be available in the province, inter-provincial exchange can be authorized by the Minister of Agriculture. In this

way the Government is attempting to take care of the interests of both the grower and the miller.

The September 15 decree also provides that the provincial committees may levy a fee of 0.25 peseta per quintal ($\frac{1}{2}$ cent per bushel) on all wheat transactions made in the Province. Half of this fee must be paid by the seller and half by the buyer. Of the total amount thus collected the wheat holding boards are to receive 0.10 peseta per quintal and the provincial committees 0.05 peseta per quintal for covering their respective administrative costs. The balance is to be placed in the Bank of Spain to be used for the subsidization of cooperative wheat storage elevators.

3. *The tobacco monopoly.*—The production and marketing of tobacco in Spain has been a State monopoly for a number of years. The Government controls and regulates the acreage that may be planted to tobacco, and the prices paid for leaf tobacco. Farmers must make application to the monopoly in order to grow tobacco.

The maximum area to be planted to tobacco during 1932–33 has been fixed at 5,000 hectares (1 hectare is equivalent to 2.471 acres). The number of farmers who may grow tobacco during 1932–33 is limited to 9,115 growers and preference in regard to granting the growing concessions is given to farmers who have obtained such concessions in previous seasons. The minimum number of tobacco plants to be grown by each grower is 2,000 and the maximum 150,000. The number of plants per hectare is fixed on the basis of the variety planted and soil conditions.

The prices to be paid for sound leaves ranged as follows: Extra quality, 3.50 pesetas per kilo (12 cents per pound at the exchange of Apr. 16, 1932); first quality, 2.25 to 2.75 pesetas (7.86 cents to 9.60 cents); and third 1.25 to 1.75 pesetas (4.37 cents to 6.11 cents). These prices apply only to so-called "current varieties." A premium of from 15 to 25 percent will be paid for Cuban and Philippine varieties.

A decree of July 21, 1932, published in the *Gaceta de Madrid* on September 2, 1932, provides for the active development within Spain of tobacco cultivation with a view to building up an export trade in tobacco. Complete details as to the measures to be taken are not available. However, the work will be administered under the general control of the Ministry of the Treasury operating through a commission comprised of a central committee, a committee of information, a cultivation board, a zone inspection, and a classification board.

4. *Import quotas.*—Under a decree issued December 24, 1931, the Spanish Ministry of Agriculture, Industry, and Commerce is authorized to fix import quotas on refrigerated meats, fish, eggs, tobacco, coffee, and a long list of industrial products. Provision is made for the addition of other commodities to the quota list as occasion arises. The decree provides that the Government may allocate the quotas among the various exporting countries according to the necessities of Spanish national economy. The decree is said to have been motivated by the obstacles which various countries have established against Spanish exports, and its declared purpose is set forth as being to "diminish the importation of goods from countries which penalize Spanish exports." The system of import quotas authorized by this decree is temporary, and is to be abolished as soon as international trading conditions again become normal.

5. *Fixed prices for sugarcane and sugar beets.*—In furtherance of its policy of encouraging the sugarcane and sugar-beet industries of the country, the Spanish Government, on February 22, 1932, issued a decree fixing the 1932–33 contract prices for sugarcane and sugar beets. The decree also provided that sugar-producing firms should notify the *Comision Arbitral Agricola* of the quantities of cane and sugar beets which they would need for the 1932–33 season within 8 days of the publication of the order. It was also provided that these data should be submitted to the *Comision Mixta Arbitral*. This committee was ordered to meet with representatives of sugarcane and sugar-beet producers and manufacturers of sugar to determine whether any restriction of the area to be planted in cane and beets should be ordered as provided for by a law of June 14, 1929. It was subsequently decided that the eventual restriction of the area could not exceed 20 percent of the 1931 area.

Another article of the decree of February 23, 1932, authorized the sugar producers to submit a proposed price for sugar beets to the *Jurado Mixto* before the 15th of October of each year. This price according to the decree is to be high

enough "to satisfy the requirements of beet cultivation in relation to other cultivated products and in relation to the agricultural economic condition of the producing region, and the general condition of the sugar industry." By a decree of April 18, 1933, the Spanish Government fixed the minimum price for sugar beets during the 1933-34 campaign at 79 pesetas per metric ton (\$6.20 per short ton at prevailing exchange) in the regions of Aragon, Navarra, and Rioja. The minimum price in other producing regions is 82 pesetas per metric ton (\$6.45 per short ton). No details are available as to the prices actually fixed for sugarcane.

6. *Special subsidy to corn growers.*—During the 1929-30 and 1930-31 crop years the Spanish Government sought to increase the area devoted to the production of corn by paying a subsidy of 200 pesetas for every hectare (\$8.70 per acre at the average exchange value of the peseta for December 1930) of corn planted on dry land, i.e., in nonirrigated areas. In addition, the Government supplied the necessary seed as a stimulus to farmers. During the 1931-32 crop year the Government subsidized the production of corn in certain specified nonirrigated areas to the extent of 100 pesetas per hectare (\$3.12 per acre at the exchange of April 16, 1932). This smaller and more restricted subsidy during 1931-32 was to be granted, moreover, only to farmers in the specified areas who had not been subsidized during the preceding two crop years. In order to obtain this subsidy the farmers had to follow the instructions of the Government governing the cultivation of corn. A register of those who wished to grow corn on dry land was kept in each area to which the subsidy was applicable. Free seed was distributed to registered farmers to the extent of 20 kilograms per hectare (about one third bushel per acre) up to a maximum of 2 hectares (approximately 5 acres) for each farmer.

7. *Special seed loans to wheat growers.*—A decree of September 11, 1931, authorized the National Agricultural Credit Service to grant special loans in cash to farmers for the purpose of buying seed wheat. This loan was to be repaid by September 30, 1932. No interest was charged for the loans and farmers were not obliged to give individual security. The security was to be given collectively by legally established agricultural associations. Farmers who pledged themselves in their applications for the seed loan to buy seed selected by the Institute of Cereal Cultivation were given preference by the National Agricultural Credit Service in the distribution of the loan. This decree, while not a price-maintenance measure, was nevertheless significant, as an illustration of the desire on the part of the Government to give relief to the Spanish farmer. It also indicates the intention of the Government to foster the growing of selected varieties of wheat. It is the aim of the Spanish Government to eliminate losses resulting from the production of unsuitable varieties of wheat. It is advocating particularly the planting of hard wheat, the domestic production of which is far below the domestic requirements.

8. *Regulation of land use and farming practices.*—Another measure designed to strengthen the position of domestic agriculture is the decree of May 7, 1931, giving the Government authority to enforce the utilization of farm land in accordance with a program worked out by the State. The decree provides that the municipal committees of rural police shall ascertain, with the help of experts from the National Agricultural Service, which of the already existing farms are not being operated efficiently. These committees are then authorized to recommend for such farms a program of farm operations worked out by the State. If the proprietor of the farm does not start with the recommended work within 8 days after official notification the Government itself will operate the farm, employing the necessary labor at the expense of the proprietor.

A supplementary law of September 9, 1931, provided that where the Ministry of National Economy finds it necessary to take over the management of a farm, such management will be conducted by an agricultural board acting under the supervision of the Ministry of National Economy. It was also provided that in the event such agricultural boards had not yet been established the management of the farm would be entrusted to the committees of rural police. The establishment of the agricultural boards is provided for in the agrarian reform law (see sec. 13). The law of September 23, 1931, also provided that after the harvest the property managed by the State will be given back to the proprietors, but the proprietors will not receive any indemnity for profits derived from the property during the period of State management. The profits made during this period will be divided as follows: (a) One third to the organization which managed the farm; (b) one third to the farm workers in accordance with the

number of working days contributed by each worker; and (c) one third to the municipal authorities to be used in covering any deficits that might be caused by compulsory management of other farms in the particular region, any surplus remaining to be used for aiding the unemployed.

A decree of October 2, 1931, provided that the decrees of May 7 and September 9, 1931, should be enforced immediately in the following regions: Andalusia, Extremadura, Toledo, and Ciudad Real. These regions include some of the most important wheat- and barley-growing Provinces in Spain. It happens, however, that the yields per acre in these regions have been relatively low, due, it is stated, to careless cultivation methods practiced on the large estates under absentee ownership. It is the intention of the State to bring about an increase in the yield on large farm units.

The fundamental economic purpose of the law on compulsory farming is to increase as soon as possible the agricultural output of the land at present under cultivation by enforcing sweeping reforms in farm-management practices. On the basis of this legislation farming in Spain is no longer recognized as merely a private enterprise, but rather as a public utility which must be conducted according to approved standards in the interests of national economy.

By a decree of January 13, 1933, the Government established a national plan of farm work to be undertaken during the first 3 or 4 months of 1933. This decree set up a program of compulsory agricultural operations for each of the various sections of Spain and the Canary Islands. All civil authorities were ordered to give widespread publicity to the decree. In addition they were ordered to take immediate action in accordance with the decree of September 9, 1931 (above described), in all cases where farmers showed any disinclination to carry out the agricultural activities specified for the district in question. The plan includes schedules of seasonal operations for the preparation of the soil preliminary to the compulsory planting of various crops; for harrowing; for sowing leguminous plants, sugar beets, wheat, oats and barley, potatoes and other crops; for cultivation of orchards and vineyards; for the application of fertilizer; for pruning of vines and fruit trees; for the planting of cotton and tobacco; and, generally, for all agricultural activities in connection with planting and harvesting crops in Spain during the first months of the year. (See also sec. 13, below.)

9. *Fixed prices for unhulled rice.*—The Spanish Government has been legislating in behalf of rice growers for several years. The importance of Spain as a rice-exporting country is well known. By a decree of June 2, 1927, the Government provided for the payment of an export bounty of 25 pesetas per metric ton (\$0.20 per 100 pounds at the then existing exchange) on exports of cleaned rice. This bounty was to cease when exports had reached 441,000,000 pounds or when the price for unhulled rice in Spain reached 40 pesetas per quintal (\$3.19 per 100 pounds at the then existing exchange).

During the 1927–28 season (by a decree of Nov. 19, 1927) the Government set up the National Rice Consortium for the purpose of marketing the rice crop. All rice growers, owners of rice lands, millers, and exporters in the Provinces of Valencia, Castellon, Alicante, and Tarragona were compelled to join this consortium. Membership of the corresponding parties in other Provinces was originally made contingent upon a majority vote of the parties concerned in those Provinces. An order of March 14, 1929, however, made membership compulsory in all Provinces of the country. The consortium was financed by an admission fee, by a production levy, and by a tax collected upon exports. These funds were to be used for the creation of a credit bank to make advances to growers and exporters and to encourage cooperation and improvements in production and marketing technique. The Government appropriated funds for the initial formation of the consortium and maintained a schedule of minimum prices which had to be paid to the grower. The consortium remained in operation until March 8, 1930, when it was abolished. No further legislative action on behalf of rice growers was taken by the Government until the issuance of a decree on November 4, 1932, fixing prices to be paid growers for unhulled rice, as described below.

By a decree of November 4, 1932, the Government fixed the price which had to be paid to growers for deliveries of unhulled rice. The prices quoted on unhulled rice on the Valencia market around the beginning of November 1932, averaged 34 pesetas per quintal (\$1.26 per 100 pounds at the then prevailing exchange). Growers considered this price as too low and the trade considered it as too high. With the stated object of preventing prices from dropping

below the cost of production the Government fixed the minimum price of unhulled rice at 32 pesetas per quintal (\$1.19 per 100 pounds at the then existing exchange). This price was the minimum for the lowest grade of unhulled rice. Higher prices were fixed for the better grades. Enforcement of the decree was brought about by the ruling that payment had to be made before the municipal authorities on the basis of official weighing certificates. Moreover, rice millers and merchants were ordered to hand in at the beginning of each month sworn statements regarding the quantities of rice purchased during the preceding month.

10. *Government support of cotton production.*—A decree published on March 18, 1932, definitely authorizes the Spanish Government to extend the cultivation of cotton in Spain to 100,000 hectares (247,000 acres) within a maximum period of 5 years. During 1930, the last year for which statistics are available, the total area under cotton in Spain amounted to 18,354 hectares (45,353 acres). This decree provides for the cultivation of cotton under "the immediate protection and vigilance" of the State. The land registered for growing cotton is to be inspected and its cultivation carefully supervised by the agronomical section of each of the Provinces. The cultivation of cotton is to be restricted to those parts of the country where frosts do not occur normally from early in May to late in October and where there is an annual rainfall of at least 500 millimeters. The Government agrees to purchase all of the cotton delivered to it at fixed prices. The cotton must be classified according to United States standards and grades.

The decree also provides for bounties, indemnifications, advances, etc., to be fixed in the month of January each year. For 1932 these were fixed as follows: (a) The necessary seed, at the rate of 50 kilos per hectare (45 pounds per acre), to be supplied free of charge by the Instituto de Fomento del Cultivo Algodonero (Institute for the Encouragement of Cotton Cultivation); (b) a bounty of 100 pesetas per cultivated hectare (\$3.06 per acre), to be given as soon as cotton planting was completed on all land, both unirrigated and irrigated; (c) a bounty of 50 pesetas per hectare (\$1.52 per acre) to be paid on unirrigated and of 100 pesetas per hectare (\$3.06 per acre) on irrigated land for aid in growing and harvesting. This bounty is paid out of the funds reserved in the budget for the promotion of cotton growing.

The law also provided that the Government should fix the prices to be paid the growers each year for their cotton. For 1932 these prices were fixed as follows: For first-class cotton, 1 peseta per kilo (3.43 cents per pound); for second-class cotton, 80 centimos per kilo (2.74 cents per pound); and for third-class cotton, 60 centimos per kilo (2.06 cents per pound). In connection with the fixed prices to be paid by the Government, the latter guarantees a fixed price for unginned cotton to be paid as soon as growers deliver their cotton to ginning establishments. If at that time, however, the price for ginned cotton on the open market in Spain should exceed the Government fixed price for unginned cotton plus the cost of ginning, the Government is in a position to make a profit over the amount to be paid growers for raw cotton delivered on the basis of the fixed prices. This profit is returned to growers in the form of a special premium over and above the fixed price. The total amount of premiums to be delivered depends, of course, on the total amount of cotton harvested, but the individual grower receives the premium on the basis of the quantity delivered by him for ginning.

The Government reserves the right to deduct from the total profits available for distribution to the growers the various expenses incurred in the administration of the decree. These deductions are made before definitely fixing the amounts of the profits to be prorated to the individual growers in the form of premiums.

Factories for ginning cotton are to be established in the several provinces. These will be the property of a syndicate of cultivators, the capital necessary for their installation to be supplied in the proportion of 50 percent by the State and 50 percent to be advanced to the federation by the Banco de Credito Industrial, to be amortized in 10 years. Administrative inspection and technical direction of these factories is reserved to the Ministry of Agriculture.

11. *Compulsory pool for raisin marketing.*—By a decree of January 11, 1933, the Spanish Government set up a compulsory pool for the marketing of Malaga raisins. The administration of this law is given to an organization known as "The Malaga Muscatel Raisin Committee." The immediate activities of the committee, however, are to apply only to the marketing of the surplus from the 1932 crop. For that reason it will function only up to August 31, 1933,

when the new crop will come on the market. In the meanwhile it is authorized, among its other duties, to prepare and submit to the Ministry of Agriculture a plan for a permanent organization. The president of the committee is the chief agricultural engineer of the Province of Malaga. The vice president is also from the office of the agricultural engineer and the secretary is a member of the provincial agricultural service. In addition it has 4 representatives of growers, 3 of exporters, and 1 of warehousemen. The decree provides that the immediate function of this committee shall consist of assembling and selling the surplus of last year's crop and establishing rigid control over all transactions; that is to say, it is charged with the task of marketing the surplus stock in Spain before the 1933 crop of raisins comes on the market in August 1933.

The decree provides unusual facilities for covering the financial requirements of the committee. It is authorized to levy a tax of 10 centimos for each box of 10 kilos exported. In addition it may keep 4 percent of the value of all raisins delivered to it for disposal, as well as from 50 to 100 percent of the profits from the sale of confiscated raisins. Moreover, it is authorized to keep the total amount of fines imposed by it for short weight and fraud and a certain percentage of the value of the raisins as a fee for inspection and classification. Finally, it may make proposals for additional income if the funds derived from the above sources should prove inadequate.

The procedure in assembling the surplus stocks into the control of the committee is outlined as follows: All owners of raisins must consign their stocks to the committee. In other words, the raisins are expropriated. Stocks not consigned to the committee within 15 days after the publication of the decree (Jan. 12, 1933) are confiscated without indemnity to the owner. From 50 to 100 percent of the profits derived from the sale of confiscated raisins is kept by the committee. In the event that an individual reports the existence of unconsigned stocks which may subsequently be confiscated, that individual may be given as much as 50 percent of the profits derived from the sale of the stocks in question. The existence of the declared stocks was to be checked, inspected, classified, and sealed by the provincial agricultural service. In order to prevent illegal traffic in Malaga raisins no one can buy boxes that do not bear the official seal of the committee. Moreover the railroads are not allowed to transport and the customs service cannot permit exportation of unsealed raisins.

All raisins placed at the disposal of the committee are pooled according to grades. The cash receipts from the sale of the stocks pooled by the committee are to be distributed to the original owners in proportion to the amount of raisins contributed by them to each grade. In other words, if one member of the pool has supplied 15 percent of a particular grade and another 3 percent, the first receives 15 percent of each cash receipt the committee derives from any sale, and the second 3 percent.

Growers are particularly favored by the decree since the official agricultural credit service is authorized to grant them loans on the raisins declared available for delivery. The cash receipts of the committee are used in this case to amortize the loans. Should growers previously have received advances on delivered raisins from warehousemen or syndicates, and should the permissible official agricultural credit on their product exceed the amount of these advances, the difference is given to the grower directly by the committee. Thus the growers are able to obtain funds for carrying on operations before their product is sold. As regards dealers and exporters, however, the decree does not provide for giving them special credits. They receive no money until they are given their share of the sales effected by the committee. However, the committee is authorized to pay warehousemen and syndicates, who have raisins in storage for growers, 4 percent of the value of the raisins sold in order to compensate them for storage costs. As already indicated the committee is authorized to retain 4 percent of the value of all raisins delivered to it for disposal. When the committee compensates warehousemen to the extent of 4 percent of the value of the raisins held in storage for growers, it merely deducts that amount from what the growers will receive for their product.

Regarding the sale of pooled raisins the decree provides that the committee shall organize an advertising campaign and sell directly to all purchasers. It may, however, utilize the services of export associations and all other organizations or individuals lawfully engaged in the Spanish raisin trade. The committee itself will periodically announce the prices at which it will sell raisins

of the various grades. The above-mentioned middleman can ask from buyers whatever prices they desire, provided they do not change the classification and grades of the raisins. It stands to reason that such prices would be higher than those quoted by the committee itself.

12. *Regulation of export trade.*—By a decree of August 25, 1928, the Government created a permanent committee for export control, consisting of various Government officials. The functions of this committee are to study export markets with a view to trade expansion, to bring about improvements in export practices, to control the quality of exports, to prevent fraud in export transactions, and to regulate freight rates. This committee is the central office of the so-called commercial police, an organization comprising all official institutions connected with trade promotion, such as the consular corps, and the Chambers of Agriculture and Commerce in Spain and abroad. The authorization of this committee goes so far as to prohibit exports and confiscate products, to change the route planned for a shipment, and to prohibit the use of the national trade mark. This use of a national trade mark was granted to exporters of standardized products by a decree of June 11, 1929. The various standards are established by the committee itself. The committee may make the use of the national trade mark obligatory.

The extension of the French import contingent system on fresh fruits in 1932 was of particular concern to Spain. When the contingents were enforced considerable quantities of Spanish fruit went to waste at the Spanish-French frontier. In order to prevent this and to maintain orderly competition among export growers a decree was enacted on July 27, 1932, setting up export-control boards in all Provinces in which fresh fruit was produced for shipment to France. The boards in each instance consist of Government officials and from 4 to 8 growers. The decree provides that licenses for exportation must be obtained from these boards and that export quotas would be allotted to Provinces, to growers, and to exporters. Quotas are first assigned to each Province. The provincial control board informs the Customs Service how much of each kind of fruit the Province will be able to export. The Customs Service then establishes the quota for the entire Province for each kind of fruit on the basis of the total contingent allowed by France. The individual quotas to growers and exporters are based on the quantity produced by each grower and on the exports effected by the grower or exporter in the previous years. The fruit to be exported is inspected by the control boards in order to eliminate inferior fruit.

In September 1932 the Government of Spain established a dried-fruit and nut-control board in the city of Reus, in the Province of Tarragona, with authority to control exports in such a manner as to insure the establishment and maintenance of a high reputation for the products of the region in foreign markets. The activities of this board applied only to the commercial center of Reus, but the decree provided that all dried fruit and nut groups in other commercial centers could establish control boards along similar lines. The functions of this board are to establish standards and control exports of dried fruit and nuts so as to insure strict adherence to these standards; to initiate advertising campaigns to promote the sale of dried fruits and nuts in foreign markets; and to install all equipment necessary to insure and facilitate improvements in the quality of the product. The control of exports was made possible by the provision that all dried fruits and nuts exported through Reus and Tarragona or through any other ports of the Province must be accompanied by an inspection certificate covering quality and sanitary conditions. The cost of administering the law is covered by a levy on exports.

For the purpose primarily of keeping down the cost of living the Spanish Government has placed restrictions on the exports of specified agricultural (and other) products. The low level of Spanish exchange was cited as encouraging purchases in Spain by foreign buyers of products for which there was no important export surplus. This is not a price-supporting measure, its tendency being to reduce or limit the prices received by the producers rather than to increase them. It is of interest, however, as a price-influencing measure of an adverse type. A decree of June 1, 1931, provided for the establishment of an interministerial committee to control exports from Spain. This committee was authorized to classify all exports into two categories, viz: (a) Goods which may be exported without restriction, and (b) goods of which the export may be subject to limitations. The committee was authorized to fix export contingents for commodities included under category (b) and also to prohibit such exports entirely if deemed advisable to protect the interests of consumers and to keep

down the cost of living. In accordance with the terms of the decree the committee on June 1, 1931, placed an embargo on the exportation of potatoes, rice, dried legumes, livestock, fresh meat, and pork products. The committee also ruled on July 18, 1931, that exports of chickpeas, beans, and lentils were to be limited to the ratio existing between exports and production in former years.

13. *Spanish agrarian reform law.*—The agrarian reform law passed by the Spanish Cortes on September 9, 1932, provides for the expropriation by the Government of the large landed estates throughout the country and their distribution in smaller parcels to peasants and cooperative organizations. A marked increase in agricultural productivity is anticipated as a result of this law. In addition to dividing the large estates into small holdings by peasants, the law also provides facilities for financing the equipment of the new farms, for the construction of building and for the purchase of seeds and fertilizers. For the purpose of carrying out the law and financing its application the Institute of Agricultural Reform has been set up. This institute is charged with the establishment of credit organizations and also with the important work of agricultural education.

The object of the law is not only to bring about the complete subdivision of the great feudal estates, which have always been a prominent feature of Spanish life, but also to bring about such a complete reorganization in the agricultural technique of the country as to place Spain on a self-sufficient basis for all essential agricultural commodities. As already stated, the basis for the agrarian reform is the expropriation of the large estates. The former proprietors are to receive an indemnity equaling the registered value of the land and are to be paid partly in cash and partly in special obligations issued by the institute of agrarian reform. These obligations will be amortized gradually during 50 years and will yield an interest of 5 percent on the nominal value. The greater the value of the expropriated tract the smaller the percentage of the indemnity which is paid in cash.

The number of settlements to be allotted will be determined annually by the institute. The Government will give the institute an annual appropriation of not less than 50,000,000 pesetas (\$9,500,000 at par) for carrying out the intent and purpose of the law. In allocating the land to farm families preference is to be given to families that have the largest number of members capable of doing agricultural work. This principle is to be applied especially in areas where soil and climatic conditions make possible the establishment of so-called "family farms." In dry regions, however, preference is to be given to farm worker associations which agree to take over the exploitation of the farms on a collective basis. The latter is one of the most significant points of the entire agrarian reform law. In this respect it differs from all agrarian reforms brought about in European countries, with the exception of Russia, and to some extent Italy. While the numerous other agrarian reforms throughout Europe were directed entirely toward establishing peasant farms, the idea of collective farming of large estates by farm worker associations is characteristic only of the reforms of Russia and Spain. Although resorted to in Italy it has not been made an essential principle of the agrarian reform policy of the Italian Government.

The Spanish reform differs also from other reforms in Europe, except that of Russia, in that those settled on the land do not become outright proprietors or owners of the land. The land remains under so-called "common" ownership, each farmer or farm organization paying an annual rental for its use. The right of ownership or sale of the land by private individuals is denied. One of the outstanding principles of the agrarian reform law in Spain is that economic equality must be maintained among those settled upon the land. For that reason the parcels of land are considered as indivisible and non-accumulable. The use of the land must be carried out in accordance with good farming principles and in such a way as to secure and maintain satisfactory yields. The "laborers" occupying the lands will be held directly responsible and the agricultural communities to which they belong, indirectly responsible for damage caused to trees and farm buildings. Individual laborers or entire communities may be removed under the law if found guilty of negligence in any of these respects. In the event that a farming family wishes to give up farming it will be indemnified for any improvements made while occupying the land. The law specifies that the ownership and possession of rural properties belong collectively to the inhabitants of the districts. The persons having the use of parcels of land will have the right to the returns realized from only the principal products. Pastures, etc., will be for the profit of the collective. (See also sec 8, above.)

SWEDEN

In common with many of the other countries of Europe, Sweden has taken vigorous steps to aid the domestic cereals industry. For cereals Sweden is definitely on an import basis. The legislative measures adopted as an aid to wheat and rye producers have taken the form of mixing regulations, price fixing, curtailment of imports, and a system of export certificates. In addition the Government has established an import monopoly for sugar in exchange for a guarantee by sugar-beet factories to maintain fixed prices for sugar beets.

1. *Tariffs*.—For such products as wheat, rye, fruits, sugar, tobacco, oilcake, wool, cotton, vegetable fats and oils, and oilseeds, Sweden is definitely on an importing basis although she also produces some of these products. Pork, butter, hides, and skins are the only agricultural items of importance in the Swedish export trade and even these are of relatively small importance compared with such exported items as lumber, wood manufactures, and wood pulp. The latter industries are entirely dependent on exports if the possibilities for production are to be fully exploited. For that reason Sweden in general has tended toward a policy of free trade. In recent years, however, there has been a definite movement toward at least moderate tariff protection for agriculture. Thus the Swedish duties, converted to United States currency at par, on certain selected agricultural products imported from the United States are as follows: Wheat, 27 cents per bushel; wheat flour, 79 cents per 100 pounds; barley, 45 cents per 100 pounds; lard, \$1.82 per 100 pounds; sugar, refined, \$1.82 per 100 pounds; apples, \$2.43 per 100 pounds; and bacon, ham, and shoulders, \$2.18 per 100 pounds. During 1932, the customs duties were increased on a long list of commodities, including such agricultural commodities as fresh apples and pears, bananas, lemons, coffee, certain live animals, certain types of cheese, potatoes, melons, cucumbers, asparagus, cauliflower, tomatoes, meat extracts, sausages, concentrated soups, and many other prepared foodstuffs.

2. *Milling regulations and monopolistic price fixing: Wheat and rye*.—Sweden has a system of wheat-and-rye milling regulations different from that in most of the other countries in that the Swedish system also provides for direct price fixing of domestic grain by the Government. First inaugurated in June 1930 by a voluntary agreement with the millers, the system was made mandatory in the autumn of that year when provisions were made for a flexible schedule of milling ratios during the remainder of the crop year and for Government-guaranteed prices for domestic wheat, graduated upward throughout the marketing season so as to encourage a more even flow of domestic wheat to market. Later (May 29, 1931), the Government granted a monopoly of wheat and rye importation to an association of millers, and for all of the 1931 crop of domestic wheat and rye unsold after June 1, 1932, it guaranteed a price of 18.50 kronor per 100 kilos for wheat and 16.50 kronor per 100 kilos for rye (\$0.98 and \$0.83 per bushel, respectively, at the exchange rate prevailing on June 1, 1932. At par of exchange these prices would be \$1.35 per bushel for wheat and \$1.12 per bushel for rye). This new phase of the Swedish grain trade and grain price-regulation policy under a monopoly still remains in effect and will be covered in detail under subsection (b) below. Attention, however, will first be given to the earlier phases out of which the present grain-import monopoly developed.

(a) *Mixing regulations; and Government price fixing prior to June 1931*.—As a result of recommendations made to the Government by an official committee appointed to report on measures that might be adopted to support the Swedish market for domestic grain, two decrees were issued by the Swedish Government on June 13, 1930, providing (1) for the compulsory use of Swedish wheat and rye in the local manufacture of flour, and (2) for the compulsory mixing of Swedish flour with imported flour. In accordance with the provisions of the latter decree, relating to the mixing of domestic with imported flour, it was ordered that, effective July 4, 1930, all flour sold in Sweden must consist of mixtures in which the domestic product represented at least 45 percent in the case of wheat flour and 50 percent in the case of rye flour.

The enforcement of the former of these decrees, which provided for the compulsory admixture of Swedish wheat and rye with imported grain in the local manufacture of flour, was withheld for some time, owing to the fact that a temporary agreement had previously been entered into by the Swedish millers whereby they promised the Government that for the remainder of the crop year they would voluntarily use at least 45 percent domestic wheat and 50 percent domestic rye in their milling activities and that they would buy this grain from the producers at prices fixed by the Government. At the request of the

Government the mill operators on July 16, 1930, increased the percentages of domestic grain to be used to 55 percent in the case of wheat and to 60 percent in the case of rye. It was decided that this voluntary agreement to use the specified percentages of domestic grain would remain in effect until early in September 1930, by which time it was believed that the situation regarding the new crop would be sufficiently clear to enable the Government to fix prices and milling percentages in accordance with the decree of June 13, 1930.

Toward the end of August 1930, however, the state cereals commission indicated that the majority of the Swedish flour millers were of the opinion that the compulsory milling regulations should be announced and put into force as soon as possible. It was therefore ordered that Swedish millers, effective September 1 to October 31, would have to use at least 60 percent domestic wheat and 70 percent domestic rye in the manufacture of wheat and rye flour. The original act provided that the milling percentages for domestic wheat and rye were to be announced for definite periods. The question of these percentages is brought up periodically for review and possible revision, based on circumstances.

When the compulsory regulations fixing the percentages for domestic grain to be used were announced it was also provided that all mills that paid the fixed minimum prices for domestic grain during the period of the voluntary arrangement would be permitted to use 10 percent less of domestic wheat and rye. It was also permissible for the mills to use certain lower percentages of Swedish grain for specified short intervals or for special purposes, but for the milling done over any whole milling period the larger percentages of Swedish grain specified have to be used. A table is given at a later point showing the milling periods and the percentages of Swedish grain and flour which have had to be used since September 1930.

Reference has already been made to the fact that Sweden adopted a system of direct price fixing for domestic wheat and rye coincident with her adoption in September 1930 of compulsory mixing regulations. When the Government announced its schedule of compulsory milling ratios for the remainder of 1930-31, it simultaneously published the prices which millers would have to pay for domestic grain during each month of the 1930-31 crop year. These prices were graduated upward in succeeding months in order that the farmer might be encouraged to hold his grain off the market for the higher prices prevailing later in the season, and thus prevent the usual dumping of grain on the millers during the harvesting months. The fixed minimum prices were for grain of satisfactory milling quality, weighing 62 pounds per bushel in the case of wheat and 58.5 pounds per bushel in the case of rye. These prices, ranging from \$1.07 to \$1.21 per bushel for rye and from \$1.36 to \$1.51 per bushel for wheat, applied only to country or inland mills. Mills situated at the seaboard had to add at least 50 öre per 100 kilograms (3.77 cents per bushel in the case of wheat) to these prices.

The following tabulation gives the minimum prices at which domestic wheat and rye had to be purchased during the 1930-31 crop year:

Sweden: Fixed minimum prices for domestic grain in 1930 and 1931

Period	Prices in kronor per 100 kilos		In United States cur- rency per bushel ¹	
	Wheat	Rye	Wheat ²	Rye ³
1930:				
Sept. 1-30.....	18.00	15.00	\$1.36	\$1.07
Oct. 1-15.....	18.20	15.20	1.37	1.08
Oct. 16-31.....	18.40	15.40	1.39	1.10
Nov. 1-15.....	18.60	15.60	1.40	1.11
Nov. 16-30.....	18.80	15.80	1.42	1.12
Dec. 1-15.....	19.00	16.00	1.43	1.14
Dec. 16-31.....	19.20	16.20	1.45	1.15
1931:				
Jan. 1-31.....	19.40	16.40	1.46	1.17
Feb. 1-28.....	19.60	16.60	1.48	1.18
Mar. 1-31.....	19.75	16.75	1.49	1.19
Apr. 1-31.....	19.90	16.90	1.50	1.20
May 1-July 31.....	20.00	17.00	1.51	1.21

¹ Conversions made at par.

² Bushel of 62 pounds.

³ Bushel of 58.5 pounds.

(b) *The new grain monopoly and price fixing thereunder.*—The original arrangement permitting the use of imported wheat and rye only when mixed with stipulated percentages of home-grown grain purchased at the above-mentioned fixed prices met with a great deal of criticism on the part of mill owners and of grain and flour importers. The Government, therefore, issued a decree on May 29, 1931, setting up a new plan for the protection of domestic wheat and rye producers. This new plan gives an association of Swedish flour millers, called the "Svenska Spannmalsforeningen" (The Swedish Grain Associations) the sole legal right to import wheat, rye, wheat flour, rye flour, mixtures containing wheat or rye, and wheat grits up to and inclusive of December 31, 1932. In return for this concession, however, the association of millers agrees to purchase all supplies of domestic wheat and rye of suitable milling quality, offered to it by the Swedish farmers.

The new Swedish price stabilization plan is unique in this respect, that the Swedish flour millers are given a free hand in their transactions with regard to acquisition of either imported or domestic grain up to June 1 of each year. In the event that there is any domestic wheat and rye on hand after June 1 of each year, however, the mills must buy it at the prices fixed in advance by the Government. In other words, while the mills may or may not purchase domestic grain up to June 1 of each year, they are always confronted with the fact that they will be compelled to purchase all of the domestic crop that is still unsold on June 1 of each year, at the prices fixed by the Government early in the season. This agreement between the Government and the Swedish Grain Association, therefore, is a full guaranty that all wheat and rye grown in Sweden, fit for milling and which has not been sold by June 1 of each year, will be redeemed during the subsequent summer months at prices determined by the Government. The Government retained the authority to enforce the compulsory mixing of imported with domestic grain. The regulations requiring that all flour imported into Sweden must be mixed with flour from domestic grain likewise continued in effect under the new grain monopoly.

The new price-stabilization plan authorized the Government to announce at the beginning of each crop year the minimum prices at which the mills would have to take over all of the surplus of wheat and rye still remaining unsold after June 1 of each year. It was accordingly announced that during the period June 1 to July 31, 1931, the lowest prices which the association of millers could pay for the stocks of wheat and rye still remaining unsold on that date would be those established by the Government in connection with the old compulsory mixing regulations. (See monthly price schedule given above.) The significant feature of this plan is that millers are obliged to buy up all of the remaining stocks at the prices mentioned. The lowest prices which the association could pay for stocks of Swedish wheat and rye during the period June 1 to July 31, 1932, were fixed by the Government on August 19, 1931, at 18.50 kronor per 100 kilograms for wheat and at 16.50 kronor per 100 kilograms for rye (\$0.98 per bushel for wheat and \$0.83 per bushel for rye, on basis of the exchange prevailing on June 1, 1932. At par of exchange these prices would be \$1.35 per bushel for wheat and \$1.12 per bushel for rye.) In establishing these prices the Government took into consideration the crop prospects for the 1931 harvest. Harvesting usually takes place during August and September. Conditions early in September indicated that the 1931 harvest would be smaller than in 1930.

The basic prices which the Swedish Grain Association must pay for unsold stocks during the period June 1 to July 31, 1933, were fixed on June 28, 1932, at 19 kronor per 100 kilos for wheat and at 18 kronor per 100 kilos for rye (\$1.04 and \$0.92 per bushel, respectively, at exchange as of May 1, 1933). It was also announced that the price for deliveries to coast mills would be 50 öre per 100 kilos (2.74 cents per bushel in the case of wheat at May 1, 1933, exchange) higher than the above-mentioned basic rates for both wheat and rye.

Farmers in Sweden have always shown a tendency to market most of their grain immediately after the harvest in August and September. As a result prices usually were low during those months and high during June and July. The new legislation places it entirely up to the farmers to market their grain so as to prevent too large offerings at one time. It is believed that the guarantee of a market at a fixed price later in the season will so influence the prices paid during the other months of the year that farmers will be encouraged to market their crop more rationally. In other words, the knowledge that

they will sooner or later have to buy all of the domestic wheat and rye offered for sale at fixed prices will force millers to maintain prices throughout the year. Moreover, the Government by limiting the maximum amounts of imported wheat and rye and wheat and rye flour that may be used is always in a position to exercise fairly close control and supervision over the competition of imported supplies. On the other hand, the millers themselves are in a position to control foreign competition since the decision as to imports is left entirely in their hands.

In order to cover its expenses and losses in connection with the execution of its duties the Association of Millers has the right to demand compensation from those to whom it issues permits to import wheat, rye, mixtures of wheat and rye, wheat and rye flour and wheat grits. The amount of compensation which may be collected is announced in advance by the association. Anyone who has imported any of these products and who can show that he has re-exported them whether as grain or in any other form, has the right, however, to recover the compensation he has paid to the association in connection with their original importation.

A table is submitted below showing the various fixed percentages of the domestic wheat and rye that had to be used by Swedish millers in their milling activities during the period from July 4, 1930, to April 30, 1933. These percentages represent the minimum quantities of domestic grain that could be used during a total specified milling period. While the law permits millers to use somewhat lower percentages of domestic grain for separately milled quantities, the total quantity used during any specified period must come up to the minimum prescribed for the period.

Sweden: Fixed minimum mixing percentages for domestic wheat and rye

Mixing period	Minimum domestic required ¹		Mixing period	Minimum domestic required ¹	
	Wheat	Rye		Wheat	Rye
1930-31:	<i>Percent</i>	<i>Percent</i>	1931-32:	<i>Percent</i>	<i>Percent</i>
July 4 to July 15, 1930----	45	50	Feb. 1 to Feb. 29, 1932----	60	40
July 16 to Aug. 31, 1930----	55	60	Mar. 1 to Apr. 30, 1932----	60	40
Sept. 1 to Oct. 31, 1930----	60	70	May 1 to May 31, 1932----	60	40
Nov. 1 to Dec. 31, 1930----	75	85	June 1 to June 30, 1932----	50	30
Jan. 1 to Feb. 28, 1931----	80	95	1932-33:		
Mar. 1 to Mar. 31, 1931----	85	95	July 1 to Aug. 31, 1932----	60	30
Apr. 1 to June 30, 1931----	85	95	Sept. 1 to Sept. 16, 1932----	80	90
1931-32:			Sept. 16 to Oct. 15, 1932----	85	97
July 1 to July 31, 1931-----	85	95	Oct. 16 to Nov. 30, 1932----	90	97
Aug. 1 to Sept. 30, 1931----	80	95	Dec. 1 to Dec. 31, 1932----	90	97
Oct. 1 to Nov. 30, 1931----	70	60	Jan. 1 to Feb. 28, 1933-----	95	97
Dec. 1 to Dec. 31, 1931----	60	40	Mar. 1 to Apr. 30, 1933-----	95	97
Jan. 1 to Jan. 31, 1932-----	60	40			

Imported flour can only be sold when mixed with flour made from domestic wheat and rye according to the percentages fixed for domestic grain.

3. *Export certificates.*—Sweden has nominally in effect the so-called “export-certificate system” for wheat and rye, but the system has little practical significance under existing conditions. The system was in effect as early as August 1, 1926, when a regulation provided that anyone who exported in one shipment 500 or more kilograms (1,100 pounds) of wheat or rye would receive an export certificate from the customs authority. This certificate indicated the amount of customs duty which it would have been necessary to pay on a similar imported quantity, and provided that the holder of such an export certificate would be entitled to import duty free a quantity of wheat or rye corresponding to the amount on which the export certificate was issued. The holder of the certificate was also entitled to receive payment in cash for the amount of the customs duty indicated on the certificate, less 2 percent in the event he did not care to use it in the payment of import duties.

Under normal conditions, however, Sweden exports very little wheat or rye, there being usually a need for a considerable import of these products. When the export-certificate policy was first introduced exports of Swedish wheat and rye increased to large proportions. The consequent reduction of the already

insufficient supply of domestic grain created a corresponding demand for imported grain, and imports increased to make up the deficit. In subsequent years, however, the price of wheat and rye in the export market declined to such low levels that shippers no longer found it profitable to continue the exportation of Swedish grain in important quantities. This is still the situation. Internal prices of wheat and rye are now so much higher than the world market levels that the amount of the export certificates no longer offers any inducement to export. Hence virtually the entire domestic crop of both of these cereals is marketed in Sweden. The original export-certificate system, however, has been extended from year to year and is still nominally in effect.

4. *Export quotas*.—In conformity with an agreement between Great Britain and a number of other countries, the Swedish Government, on November 25, 1932, decreed that exports of salted pork to Great Britain and northern Ireland could not take place from November 28, 1932, to January 22, 1933, except with the permission of Government. The Swedish Agricultural Board was authorized to see that export permits should be granted up to a total of 4,300,000 pounds per month and that the exports should be divided among the exporters in an equitable manner. This decree was adopted in order to conform with the quota restrictions placed on pork imports by the British Government.

5. *Price maintenance for sugar beets and the sugar-importing monopoly*.—Attempts to maintain stabilized prices for sugar beets have been in force in Sweden almost continuously since the war. Until quite recently, however, these attempts were largely a matter of private arrangement between beet producers and sugar factories. There follows a résumé of price-control measures in effect during the last 5 or 6 years, beginning with the 5-year price-stabilization agreement between growers and factories, adopted late in 1926, and including the establishment by the Swedish Government, on March 1, 1932, of a sugar-import monopoly, under which certain refineries are now given the exclusive right to import sugar if they maintain a fixed price for domestic sugar beets.

(a) *Five-year price-stabilization agreement between producers and factories, 1927-31*.—Late in 1926 a 5-year agreement, to be effective during the 5 years 1927-31, was entered into between the sugar-beet producers and the sugar-beet factories. Similar measures had been in effect for a number of earlier years. The theory back of the 5-year agreement was that the farmers and the sugar factories would share equally the eventual losses and profits of the sugar industry. It provided that the price of 100 kilos (220.46 pounds) of beet containing 16 percent of sugar would be maintained at six and one half times the average annual price of 1 kilo of "K.5" (granulated, "K.5" Dutch standard) sugar, as quoted to the wholesalers in the price list of the Swedish Sugar Factory Corporation during the period from February 1 to January 31 of the following year. It was estimated that 100 kilos (220.46 pounds) of sugar beets with a 16 percent sugar content would yield approximately 13.5 kilos (30 pounds) of "K.5" sugar. This agreement also provided for an increase or a decrease in the price of beets, depending upon a sugar content above or below 16 percent.

As stated, the basic sugar-beet price was to be calculated on the wholesale price of 1 kilo of "K.5" granulated sugar. The following table, included in this agreement, shows the price which the farmers were to receive for 100 kilos of sugar beets with 16 and 17.2 percent sugar content, when the basic cost of 1 kilo of "K.5" sugar varied between 40 and 50 öre per kilo. Conversions to United States currency are made at par in this table. It should be borne in mind, however, that since September of 1931 Swedish exchange has depreciated, the average rate for the krona during May 1933, being 20.24 cents, or about 25 percent below par.

Price schedule fixed for sugar beets in Sweden under the 5-year stabilization agreement between growers and factories, 1927-28 to 1931-32, inclusive

Scale of wholesale cost of 1 kilo of "K.5" sugar		Price to be paid farmers for 100 kilos of beets of 16 percent sugar content		Price to be paid farmers for 100 kilos of beets of 17.2 percent sugar content	
<i>Krona</i>	<i>Per pound</i> ¹	<i>Kronor</i>	<i>Per short ton</i> ¹	<i>Kronor</i>	<i>Per short ton</i> ¹
0.40	\$0.049	2.48	\$6.03	2.60	\$6.32
.41	.050	2.54	6.18	2.66	6.47
.42	.051	2.60	6.32	2.72	6.61
.43	.052	2.66	6.47	2.78	6.76
.44	.054	2.72	6.61	2.84	6.90
.45	.055	2.79	6.78	2.91	7.08
.46	.056	2.85	6.93	2.97	7.22
.47	.057	2.91	7.07	3.03	7.37
.48	.058	2.97	7.22	3.09	7.51
.49	.060	3.04	7.39	3.16	7.68
.50	.061	3.10	7.54	3.22	7.83

¹ Conversions into U.S. currency made at par.

This agreement was to be valid for a period of 5 years and was to regulate the price of sugar beets for the beet campaigns of 1927-28 to 1931-32, inclusive. The law provided, however, that if no notice regarding the discontinuance of this agreement was given before January 1, 1932, it would be prolonged for another year and would thereafter continue automatically for periods of 1 year unless notice of its discontinuance had been given at the beginning of the calendar year.

An important feature of the 5-year agreement was the "safety clause" or privilege granted the individual beet grower to decrease the beet acreage which he had contracted to cultivate during any of the contract years, provided that the decrease did not exceed 50 percent of the contracted area, and provided further that he submit a written report on the subject to the factory with which he had contracted to supply beets, before March 15 of the year in which it was desired to make the reduction. In other words, the grower had the right to reduce acreage by 50 percent when the price for beets reached a figure at which it was unprofitable to continue cultivation on an extensive scale. Each individual producer, moreover, had the right to increase his allotted beet acreage up to 10 percent of the amount mentioned in the contract, provided notice was given to the factory before February 13 of the year in which such an increase was to be made. On the other hand, the sugar company had the right to decrease the contracted area by 20 percent, in the case of an overproduction of sugar beets, provided that notice was given to producers before January 1 of the year in which such reductions were to be made. Another important feature of the agreement was the provision that should the customs duties on sugar and molasses be changed during the life of the agreement, the effects of such changes were to be equally divided between the company and the beet growers.

(b) *Government price guaranty to sugar-beet growers, in 1930 and 1931.*—Difficulties eventually arose under the 5-year plan, owing to its being based on the world price level for sugar. Sugar prices fell to such a low level that the cultivation of sugar beets in Sweden became unprofitable. As a result the beet growers in 1929 reduced their acreage in accordance with the "safety clause", permitting them to reduce acreage by 50 percent. This decline in the beet acreage forced many beet factories to close down and increased quantities of sugar were imported. The Government eventually intervened by appropriating, early in 1930, a sum of 3,800,000 kronor (\$1,018,000) to be used for paying a bonus to sugar-beet growers during 1930 in the form of a minimum-price guaranty. The amount to be paid for beets having a sugar content of 16 percent was to be the difference between the price paid by the factories under the terms of the 5-year plan and 2.45 kronor per 100 kilograms (\$5.96 per short ton at par). In other words, the Government guaranteed growers a price of 2.45 kronor per 100 kilos and agreed to make up the difference between what the factories paid under the terms of their contract and the officially guaran-

teed price. However, the bonus was only to be paid to beet growers who for several years prior to January 1, 1930, had been signing contracts with the factories to grow beets and who, in accordance with their contracts, grow beets on an area that was not less than 70 percent of the contracted area. As a result of this Government assistance the acreage of beets during 1930 showed a very substantial increase.

The subsidy was continued during 1931, when the Government guaranteed growers a price of 2.02 kronor per 100 kilos (about one fourth of a cent a pound at par). This subsidy, as in the previous year, was paid in the form of an additional price over the price actually paid the growers by the factories under the terms of the 5-year agreement. Thus, the price paid for beets by the factories during 1931 was 1.62 kronor per 100 kilos (\$3.94 per short ton at par), but the farmers received 2.02 kronor (\$4.91 per short ton at par). The difference between these two prices represented the extent of the subsidy paid by the Government.

(c) *Sugar import monopoly*.—Notice of the termination of the 5-year plan above discussed was given toward the close of 1931, and all negotiations between the sugar factories and the beet growers for a new agreement resulted in failure. Moreover, the Government decided that it could not continue the subsidy that had been paid during 1930 and 1931. However, a special sugar committee appointed by the Government recommended the establishment of a sugar import monopoly. This recommendation provided that a sugar import monopoly should be granted to the two large Swedish sugar factories, the "Svenska Sockerfabriks" and the "Mellersta Soveriges Sockerfabriks", under the condition that these factories guarantee the beet growers a minimum price of 2.30 kronor per 100 kilos (\$5.59 per short ton at par and \$3.89 at the exchange rate of April 16, 1932) for sugar beets having a minimum sugar content of 16 percent and that the factories regulate their quotations on sugar prices to wholesalers on the basis of the world market level. The factories, however, were to be entitled to maintain a minimum price of 0.31 krona per kilo (\$3.77 per 100 pounds at par and \$2.62 at the current rate as of April 16, 1932) for "K.5" granulated sugar, even if that quotation should be higher than the world market price.

The above proposal of the sugar committee was accepted in its entirety and was enacted into law by Parliament on February 20, 1932. The law became effective on March 1, 1932, and was to remain in force for 1 year. It was generally understood that no refined sugar whatever would be imported into Sweden during this period.

According to this plan, the sugar factories paid a price for beets that was considerably higher than that paid on the basis of the 5-year contract. Under the 5-year plan (see above) the price of 100 kilos of beets containing 16 percent sugar was to be six and one half times the average annual wholesale cost of 1 kilo of granulated "K.5" sugar. This multiple under the new plan was increased from $6\frac{1}{2}$ to 7, with the further provision that the legal price of beets containing 16 percent of sugar should not be less than 2.30 kronor per 100 kilos (\$5.59 per short ton at par and \$3.89 at the current rate of April 16, 1932). Moreover, it provided for an increase or a decrease in the fixed prices for beets with a sugar content above or below 16 percent. Finally, the law provided that beet growers were to receive 5 kilos (11 pounds) of sugar-beet pulp, with not more than a 90.5 percent water content, at a price of 5 öre per kilo (0.6 of a cent a pound at par, 0.4 of a cent at current rate of exchange as of April 16, 1932) for every 100 kilos of beets delivered to the factories, instead of only 4 kilos (8.8 pounds) as heretofore. Water content was not specified previously.

On February 18, 1933, the Government decided to extend the sugar import monopoly for 1 more year on the condition that the price paid for sugar beets of the 1933 harvest would be at least 2.25 kronor per 100 kilos (\$3.72 per short ton at the exchange of February 18, 1933) and that the wholesale price of granulated sugar would not be fixed at more than 30 öre per kilo (\$2.48 per 100 pounds at exchange of February 18, 1933) after June 1, 1933.

SWITZERLAND

Agricultural price-supporting measures in Switzerland include tariffs on imported agricultural products, import quotas and licenses, special regulations guaranteeing the sale of domestic wheat at a fixed price, and financial aid to the tobacco growers conditioned upon restriction of tobacco acreage.

1. *Tariffs*.—Since the war protective policy, particularly for agricultural products, has been emphasized in Swiss tariff legislation. A complete new schedule of customs duties went into effect on July 1, 1921. The duties on practically all commodities were materially increased at that time. On many of the agricultural products the increases amounted to more than 100 percent. The rate on wheat, rye, oats, and barley, for example, was increased from 0.30 to 0.60 francs per 100 kilos, i.e., from 1.58 cents to 3.15 cents per bushel on wheat, 1.47 cents to 2.94 cents per bushel on rye, 0.84 to 1.68 cents per bushel on oats, and from 1.26 cents to 2.52 cents per bushel on barley. The duty on flour (in receptacles of all kinds, weighing more than 5 kilos) was increased from 2.50 to 4.50 francs per 100 kilos (\$0.43 to \$0.77 per barrel). The duty on apples and pears was increased from 1 to 5 francs per 100 kilos (8.75 cents to 43.75 cents per 100 pounds); on salted and smoked bacon from 14 to 75 francs per 100 kilos (\$1.23 to \$6.57 per 100 pounds); on eggs from 1 to 15 francs per 100 kilos (\$0.09 to \$1.31 per 100 pounds); and on butter from 7 to 20 francs per 100 kilos (\$0.61 to \$1.75 per 100 pounds).

The above serves to indicate the extent to which the tariffs were increased by the new law of July 1, 1921. For the most part these rates still remain in effect. On wheat, rye, oats, and barley the rates remain the same. In the case of wheat it is also provided that imports other than by registered dealers are subject to a surtax of \$1.06 a bushel. On flour the rate is likewise unchanged; and it is provided that imports for bread making other than those for the Grain Administration shall require a special permit and shall be subject to a surtax of \$3.47 a barrel. (The entire wheat and rye trade is subject to rigid Government control, as described below.) On all of the other items listed above, except butter, the rates are similarly unchanged.

On some agricultural items, however, there have been distinct rate increases since 1921. On December 18, 1930, for example, the entire tobacco schedule was revised upward. On imports from the United States of leaf tobacco (unstemmed), for cigars, the present rate is \$14.01 per 100 pounds; for chewing and pipe, \$31.78; for cigarettes, from \$53.84 to \$70.62, depending on grade. Increases have also been made in the duties on certain kinds of cheese and on butter. On January 15, 1932, the duty on hard cheese, other than "Grana", was increased from 20 to 80 francs per 100 kilos (1.75 cents to 7 cents a pound), while the duty on soft cheese remained unchanged at 20 francs per 100 kilos (1.75 cents a pound). On butter the rates have undergone a series of changes. On August 12, 1929, the duty was increased from 20 to 70 francs per 100 kilos gross (1.75 cents to 6.13 cents a pound). On September 1, 1930, it was further increased to 120 francs per 100 kilos (10.5 cents a pound). On December 23, 1931, it was increased to 180 francs per 100 kilos (15.76 cents a pound), for the period up to March 31, 1932. Meanwhile, however, a decree of February 22, 1932, effective that date, reduced the duty to 150 francs per 100 kilos (13.13 cents a pound); but on March 19, 1932, the duty was restored to 180 francs per 100 kilos (15.76 cents a pound). On February 26, 1932, a decree provided that from April 1 butter could be imported only under license.

While the above-mentioned duties are considered to be the basic rates, it must be kept in mind that under the system of import quotas and licenses adopted late in 1931 the Government has been authorized to levy supplementary duties on a long list of products when imported in excess of the established quotas (see sec. 2, following).

2. *Import quotas and licenses*.—A law dated December 23, 1931, gave the Swiss Federal Council the authority to limit importation of any commodity which it might specify, or to make such imports dependent upon a permit subject to such conditions as it might determine. The law gave the Federal council the authority to make all imports subject to license and to make the issuance of permits subject to the payment of a duty proportional to the price and the value of the commodity. It is stated in the law itself that the purpose of the legislation is to protect national production whenever the vital interests of domestic industries are threatened, and particularly to combat unemployment. This decree was to be effective until December 31, 1932, but it has subsequently been extended.

Several supplementary decrees were issued in connection with this law. The agricultural products affected by the law were eggs, butter, potatoes, fresh vegetables (other than tomatoes); fresh berries, fresh apples, pears, and apricots in containers other than sacks; wheat, rye, oats, barley, corn, malt, sugar; certain edible fats; certain prepared meats; leaf tobacco; oleaginous seeds, nuts and kernels, and oil cake and meal. The plan in most instances has been

applied in the following manner: The normal duties of the Swiss customs tariff are applied to goods admitted from specified countries under license from the Swiss Ministry of Public Economy within the limits of the quotas fixed for those countries by that department. Imports not covered by licenses (i.e., in excess of the quotas) have either been subjected to customs duty at the rates fixed by supplementary decree, which are much higher than the normal tariff rate, or else have been entirely prohibited. In other words, Swiss importers, upon securing import permits, may import the products specified at the regular rates of duty until the fixed quotas for each product from a specified country have been filled. Thereafter further imports are either entirely prohibited or they may be made contingent upon payment of the higher duties, the decision resting with the Government.

3. *State aid to the wheat industry.*—The grain monopoly exercised by the Government of Switzerland from 1915 to 1929 for the purchase and sale of grains was repealed by a referendum on March 3, 1929. The constitutional amendment abolishing the monopoly, however, provided at the same time for the continuation of State aid to grain producers, whereby domestic growers of wheat are subsidized by the State in order that domestic production, which had been nurtured during the 14 years of the old monopoly regime, might not be allowed to disappear in the face of competition from other countries which could produce wheat more cheaply than Switzerland. In effect, the new plan is not much different from the old grain monopoly. The entire plan is financed by a small tax, called a "statistical tax", on all goods imported into Switzerland.

The new Swiss grain control, effective as of July 1, 1929, provides for Government purchase of wheat and rye at guaranteed prices, maintenance of grain reserves, payment of grinding subsidies, reduction of transportation charges, and support of the national milling industry. The entire scheme was a provisional plan to remain in operation only to July 1, 1932. The administration of the scheme was placed in the hands of a State grain office. Under this plan the Government is required to maintain a federal reserve of grain (amounting at present to about 80,000 metric tons) which, together with the normal stocks of grain, is sufficient to supply Switzerland with bread for about 3 months. The reserve supply is stored partly by the State and partly by the millers, who are under an obligation to preserve the grain in good condition.

Acting through agricultural cooperative societies, the grain office purchases homegrown grain at a guaranteed price, which is above the world market level. Under the price-guarantee provision the Federal council each year fixes prices to be paid by the Government for domestic grain. The grain that may be purchased by the Government at fixed prices are wheat, rye, spelt, and mixtures thereof. The original law specified that the prices fixed for the domestic wheat could not be less than 380 francs per metric ton (\$2 a bushel) or more than 450 francs per metric ton (\$2.36 a bushel). The minimum price was subsequently reduced to 360 francs per ton (\$1.89 a bushel). The guaranteed price of wheat is, on the average, 85 francs per metric ton (45 cents a bushel) above the price of imported wheat, less customs duties, subject to the above fixed minimum and maximum range. The price of the other cereals is fixed in relation to that of wheat, according to their milling value. There are also variations of price according to quality, and an alteration of the basic price is made on December 1 to allow for the lower moisture content after that date. The price is set each year with the limits provided by the law, not later than September, by the Federal council. The prices fixed for the 1931-32 domestic cereal crop were as follows: Wheat, 38 francs per quintal (\$2 a bushel); rye, 28 francs (\$1.37 a bushel); mixed rye and wheat, 33 francs (\$1.73 a bushel of 60 pounds); and spelt, 28 francs (\$0.98 a bushel). These prices were payable for first-class grain loaded on cars or delivered to a grain elevator or mill.

The millers are compelled to take the grain purchased by the State grain office. This obligation is not limited to a quota fixed on the millers' output; each miller is bound to take delivery of such amounts of grain as are allotted to him from time to time by the State grain office, which is responsible for ensuring the proper distribution of home-grown grain to the millers.

Growers who produced, for their own consumption, wheat, rye, spelt, maize, and (in the mountains) barley, are entitled to a special payment in respect of any such grain milled. In other words, the Federal Government gives the producer a direct subsidy or bonus, ranging from 7.50 to 12 francs per 100 kilos (from \$0.66 to \$1.05 per 100 pounds) for all grain sent to flour mills to

be ground for their own use. Special payments are also made in respect of seed of recognized quality and grain grown above a certain altitude. Moreover, the Government which owns the railroads, reduces the freight charges on the movement of grains to mills situated at distant points and on the movement of flour from those mills. This reduction in freight rates was made in order to maintain the distribution of milling in all parts of the country.

Millers are protected against foreign competition by the state regulation of imported flour, which affords them some compensation for the obligations imposed on them in connection with the milling and storage of grain. To this end the importation of flour, except by the Federal Government, is virtually prohibited. The old Government monopoly of wheat importation, however, is abolished and millers may import without restriction except for the 3.15 cents per bushel duty and the knowledge that they must eventually absorb the entire domestic supply.

The cost of the entire scheme to the state has been estimated by the Federal Council to be about 17,800,000 francs (\$3,435,000) per annum. As already stated, this sum is raised by levying an additional duty on all goods entering Switzerland.

The Swiss system for the regulation of grain and the encouragement of home production was originally intended to remain in effect until July 1, 1932. During 1932, however, the Federal Council recommended to the Federal Assembly in Switzerland that, with some minor amendments, it should be made permanent. In these recommendations the Federal Council also suggested that the state grain office should be authorized to take steps to improve the storage and handling of home-grown grain. It likewise suggested that, in view of the reduced cost of production due to cheaper machinery and fertilizers, the minimum purchase price of wheat should be reduced from 380 to 360 francs per ton (\$2 to \$1.89 a bushel).

The report further pointed out that the scheme had encouraged the use of the best qualities of seed and that certain varieties of home-grown grain could now be compared in quality with imported grain. By altering the scale of payments on seed and by regulating the importation of foreign grain for seed, it was believed that the Government should be able to reduce the number of varieties of grain grown in the country and to encourage the growth of those which give the best results in milling and baking.

To afford protection against foreign imports, the right to import flour suitable for bread making was again reserved to the state. During the years in which the scheme has been in operation, it has been found that the safeguards for consumers of flour were insufficient. The Federal Council therefore proposed that the state should be empowered to take such steps as may be deemed necessary to protect the interests of consumers of flour and bread. The Federal Council pointed out that in general the scheme has been found to work satisfactorily and that every section of the community accepts the system of control and regards it as a necessary measure for the encouragement of a branch of agriculture which is considered to be vital to the state.

4. *State aid to the tobacco industry.*—Early in 1930 the tobacco growers in Switzerland found themselves in a critical situation due to low prices and foreign competition. As a result the Government came to their aid by granting a loan of approximately \$620,000 to growers on condition, first, that they restrict tobacco cultivation for 5 years to limits determined by the Government; and second, that planters, buyers, and manufacturers organize into federations to control the cultivation and marketing of tobacco. In accordance with the Government's action the Swiss tobacco planters, buyers, and manufacturers concluded an agreement whereby the planters agree to limit their acreage and the buyers undertake to purchase the total production. Late in 1930 the domestic industry was further assisted by marked increases in the duties on imported leaf tobacco and on imported manufactured tobacco.

TURKEY

Turkey is primarily an agricultural country. The principal agricultural products of domestic growth are tobacco, cereals, cotton, dried fruits, nuts, olives, silk, wool, gums, and opium. Agricultural products, principally tobacco, raisins, nuts, cotton, wool, eggs, figs, peas, beans, and lentils, hides, and skins, and opium, constitute the bulk of the Turkish exports. Considerable quantities

of sugar, coffee, wheat, vegetable oils, and rice are imported. Various legislative devices have been adopted with a view to protecting the domestic producer in the local market. Among these are tariffs, special credit facilities to wheat growers, tobacco, and sugar monopolies, and a system of import quotas.

1. *Tariffs*.—The trend in tariff legislation in Turkey since the war has been upward. The present Turkish tariff law, which came into force on October 1, 1929, levied highly protective duties and tended toward the exclusion of all luxury articles. This law provided that all articles not specifically provided for in the new tariff shall be subject to an ad valorem duty of 40 percent until such time as they are embodied into the tariff by law.

The following rates will serve to indicate the extent of the tariff protection accorded farmers in Turkey under the present tariff act. These rates are given in Turkish pounds per 100 kilos, their equivalent in United States currency at the prevailing rate of exchange (1 Turkish pound at current exchange equals 47 cents) being shown in parentheses. Meat and meat products, ranging from 50 to 300 (\$10.66 to \$63.96 a 100 pounds) depending on type of product; butter, 108 (\$23.02 per 100 pounds); lard, 90 (\$19.19 a 100 pounds); wheat, 6.30 (\$0.81 a bushel); wheat flour, 9.50 (\$3.97 a barrel); rice, husked and unhusked, 15 and 7.50 (\$3.20 and \$1.60 a 100 pounds), respectively; wool, in grease and scoured, 12 and 24 (\$2.56 and \$5.12 a 100 pounds), respectively; dried plums, peaches, apricots, apples, and pears, 48 (\$10.23 a 100 pounds); dried raisins and figs, 27 (\$5.76 a 100 pounds); oranges and lemons, 30 (\$6.40 a 100 pounds); coffee, raw and roasted, 32 and 110 (\$6.82 and \$23.45 a 100 pounds), respectively; raw cotton, 15 (\$3.20 a 100 pounds); olive oil, in receptacles containing more than 10 kilos, 39, and in other containers, 72 (\$8.31 and \$15.35 a 100 pounds), respectively.

2. *Special aid to wheat producers*.—The Government of Turkey has taken steps to aid domestic wheat growers in the hope of preventing a threatened collapse of the economic status of the country. Wheat is grown in every part of Turkey. The heavy wheat crop in 1931 caused domestic prices of wheat to fall to very low levels. As a result the banks, which had loaned money to growers, found themselves in a very precarious situation. On the other hand, farmers, in order to meet their notes, were threatened with the necessity of a forced sale of not only their farm products but of their entire agricultural equipment as well.

In order to avoid this catastrophe and to ease the position of the banks, the Government of Turkey, through the agricultural bank, granted a substantial credit as an aid to wheat farmers. This aid, however, was not to take the form of new loans direct to producers. On the contrary, it was to be used in the making of loans to the branch banks of the agricultural bank situated throughout the country. These branch banks then were to accept wheat from the growers, in lieu of cash, in repayment for loans previously made. This wheat was to be stored by the banks and marketed whenever the price advanced. Any difference between the price at which the banks took the wheat from the farmers and the price at which they finally disposed of it, less the costs incidental to the storage, was to be returned to the farmers. In this respect the measure was not essentially different from relief measures adopted in many other countries.

The credit thus made available went to save the solvency of those quasi-public institutions whose total assets, prior to the granting of the new credit, were frozen. The immediate advantages to the Turkish wheat growers were twofold. First, it enabled them to dispose of their stocks and liquidate their debts without the sale of their implements or recourse to private bankers who charge usurious interest rates. Second, the plan made it possible for farmers to get the benefit of a possible advance in the market price of wheat without assuming any of the normal risks involved in the storing of grain, such, for example, as loss by deterioration, destruction by fire, floods, etc.

With the object of further protecting and stabilizing wheat prices in Turkey, the Government passed a law on July 3, 1932, which authorized the Government to make direct purchases and sales of wheat through the agricultural bank at prices to be fixed by the Government. The law provided that such purchases and sales were to be made only when the Government deemed such action necessary. The methods and conditions of purchase, sale, and storage of wheat by the Government were to be arranged and determined by the Council of Ministers. The wheat purchased by the Government through the agricultural bank was to be paid for in cash. The Government itself agreed to assume

losses up to 1,000,000 Turkish pounds (\$470,000) which might result from the liquidation of such wheat purchases. Any profits realized were to be used for the construction of elevators and warehouses in the wheat-growing districts of Anatolia.

The law of July 3, 1932, was intended to operate for the immediate benefit of the wheat grower, but at the same time it was expected that the operations of the agricultural bank would protect consumers in urban communities from the speculative tendencies of private persons engaged in the grain trade and the milling industry. The main objectives of the purchase and sale of wheat at fixed prices by the Turkish Government are to encourage peasant initiative, to stimulate regular sowings in order to assure production of wheat that will be adequate for the requirements of the country, and eventually to build up an exportable surplus in wheat. It was expected that the new policy of the Government would result in the elimination of numerous factors from the wheat trade. Complete details as to the operation of this law, the prices at which the domestic crop is purchased, etc., are not available.

3. *Turkish tobacco monopoly*.—The Government of Turkey has participated directly in a tobacco monopoly ever since 1883 when the "Regie Co-interesse de Tobacs de l'Empire Ottoman" was organized. This monopoly consisted of an agreement between an Austrian group, a German group, the Ottoman Bank and the Ottoman Government, whereby the sale of tobacco was exploited for the benefit of the participating groups.

When the new Republican Government came into power the above agreement was canceled in favor of a Government monopoly, effective March 1, 1925. This monopoly differs from the old Ottoman "Regie" in many ways. The "Regie" was primarily a commercial institution with but limited interest in culture or production. It bought the tobacco it found, manufactured and sold it, and took no interest in effecting an improvement in the quality of the crop. The present monopoly lays stress on the production of high quality tobacco, the control of contrabandage, and the maintenance of a rigid control over the use of tobacco in Turkey. It is charged with a wide range of duties connected with production and marketing.

The monopoly has functioned under several laws since it was organized in 1925. The latest amendment to the monopoly law was made on June 9, 1930. The amendment of that date provides that the importation of foreign tobacco, and its manufacture and sale, as well as the purchase, manufacture, and sale of native-grown tobacco, shall be exercised by the state. The planter may, however, transfer or mortgage his tobacco to a merchant if the tobacco is intended for export. The monopoly administration closely supervises such export transactions until the product has been exported. All manufacturing of tobacco products, whether from native or imported leaf, is done by the monopoly. As regards price-fixing, there is nothing in the monopoly law authorizing the state to purchase tobacco from the grower at fixed prices. On the contrary, purchases are made at current market prices. The retail sale of tobacco products, however, may take place only in shops established by the monopoly or in establishments licensed by it and such sales must be made at the prices fixed by the monopoly.

The law of June 9, 1930, also gives the monopoly complete control over the cultivation of tobacco. Tobacco can be cultivated only in districts authorized by the Ministries of Finance and Economy. Any person desiring to grow tobacco must make application to the tobacco monopoly. From the date of his authorization to grow tobacco every activity in its cultivation and picking is closely supervised by the monopoly and every precaution is taken to assure that the entire crop is continually under the direct control of the monopoly. As soon as the planter gathers the crop he is under obligation to destroy the roots remaining in the field, with the exception of that allowed to go to seed. The remaining roots of these plants must be destroyed immediately after the seeds are obtained. The tobacco crop is estimated in the field by the agents of the monopoly. The estimates are checked and rechecked several times during the growing season. Picking and drying operations, the transfer of the tobacco from the farm to the storage houses, the periods during which those transfers must be made, and the weighing and grading of the leaves, are all rigorously supervised by the monopoly. The planter is held responsible for any unauthorized shortage.

The Turkish tobacco monopoly is directed by a central office located in Istanbul. For administrative purposes its many functions are grouped under four

sections. The first section includes the administrative and the agricultural or technical divisions. It is the duty of the administrative division, among other things, to control production and limit planting to areas suitable only for the production of the higher grades of tobacco. It is also the duty of this section to prevent illegal trading, and its efforts in that direction include a check of tobacco production and movement from seed time to the ultimate consumer. This section is also responsible for close cooperation with the Turkish customs in the control of contrabandage. The duties of the technical division are to improve the quality of the Turkish crop. Through it the monopoly became one of the first institutions in Turkey to disseminate scientific knowledge for the improvement of an agricultural industry. This division concerns itself with seed selection, disease control, drying and curing, storage, and the administration of a school for training tobacco experts. The second section is responsible for the purchase, deliveries, and storage of tobacco. The third section is charged with manufacturing tobacco products. The fourth section is charged with the sale of manufactured products, and this is done through an elaborate organization.

4. *Turkish sugar monopoly*.—In order to promote and protect the domestic sugar-beet industry the Government of Turkey on January 25, 1926, passed a law establishing a State monopoly for the importation of sugar and sugar products. This law provides that the right to import raw and refined sugar and all products containing sugar, such as sirup, sweetened beverages of non-alcoholic content, candied fruit, confectionery products, etc., is reserved exclusively to the Government. The monopoly is authorized to fix the cost price of imported sugar and sugar products and to sell the same to dealers. The law also authorizes the monopoly to purchase the sugar production of domestic refineries at the same cost as imported sugar. The sale and distribution of sugar and its byproducts to consumers is handled by retail merchants, who must obtain their supplies from the monopoly.

5. *Import quotas*.—An outstanding example of governmental interference in the normal flow of trade in Turkey was the adoption on November 16, 1931, of a system of restrictions on Turkish imports by means of quotas, which specify the quantities of the product which may be imported. The main purpose of the quota system in Turkey is to control the country's trade balance. The quota system is, in effect, a corollary of measures taken to stabilize the Turkish lira. The regulations in force prohibit the export of foreign securities and the transfer into foreign currencies of deposits in Turkish liras lying in local banks, while as regards other exchange required to pay for imports, each transaction must be covered by a permit issued by the bourse authorities. In order to create a reserve of foreign currency from which to meet demands from importers, a central pool has been created by the State bank, into which is paid all the foreign exchange received from abroad in payment for Turkish exports. The declared policy of the Turkish Government is to balance imports with exports by a system of compensation applicable to all countries whose exports to Turkey exceed imports from Turkey.

Under authority of the decree of November 16, 1931, the Government immediately established quotas on a long list of products for the month of December 1931. In that month the quotas were announced for the first 3 months of 1932. In February 1932 the Government announced the quotas for April, May, and June 1932. Subsequent decrees announced the quotas for the third and fourth quarters of 1932. The decree of September 21, 1932, fixing the quotas for the last quarter of 1932, classified all imports into four groups, (a) those free of import quota restrictions; (b) those for which definite monthly import quotas were provided; (c) those which could be imported only by authority of the minister of health, including medicines, pharmaceuticals, chemicals, and similar articles; and (d) prohibited imports, chiefly articles not considered as prime necessities. This decree provided, however, that regardless of quota restrictions, most products could be imported into Turkey in compensation for exports of specified Turkish products, such as rugs, mohair, attar of roses, valonia, lumber, and tobacco.

A decree of November 21, 1932, fixed the quotas for the first 3 months of 1933. The new quotas followed the same general system as those for previous periods. New features included (a) fixing of quotas on cotton fabrics among the countries of origin in proportion to Turkey's exports to those countries; (b) the establishment of a list of new products which could be imported only

upon authorization obtained in advance from the Government; and (c) the apportionment of quotas among various countries exporting rice, paper products, glassware, and iron and steel, on the basis of compensation exports to those countries. In April 1933 the quotas were fixed up to the end of August. They followed the same general principles laid down in previous decrees, emphasis being placed particularly on the compensatory trade feature. The Turkish products, upon which special emphasis is laid by the Government in compensating for imports, are carpets, rugs, mohair, attar of roses, valonia, lumber, railroad ties, leaf tobacco from the 1930 or previous crops, minerals (except coal), figs, filberts, livestock, opium, olives and olive oil, canary seed, and pistachio nuts.

UNION OF SOUTH AFRICA

The Union of South Africa employs a variety of governmental price-supporting measures for agricultural products. Outstanding amongst them are tariffs, special restrictions on the importations of wheat and wheat flour, compulsory export quotas for corn and tobacco, levies on exports of several products for the support of cooperative associations and the export control board, export subsidies on butter and cheese paid out of a levy on sales of those products, and outright governmental export subsidies on a long list of agricultural commodities paid out of funds established by a special ad valorem tax on all dutiable imports.

1. *Tariffs*.—Since the World War, South Africa has adopted a pronounced protectionist policy for local industries both agricultural and nonagricultural. As a result the duties on a long list of agricultural commodities have been revised upward in recent years. To enumerate but a few of these numerous changes: Between January 18, 1930, and March 26, 1930, the duty on wheat was increased from 1s. 7d. to 2s. 8d. per 100 pounds (\$0.23 to \$0.39 per bushel). During the same period the duty on wheat flour was increased from 3s. 8d. to 5s. 8d. (\$0.89 to \$1.38) per 100 pounds. However, a lower rate of 2s. 6d. per 100 pounds (\$0.36 per bushel) on wheat and of 5s. 4d. (\$1.30 per 100 pounds) on wheat flour was permitted to products coming from Canada. The tariff on dried fruits of all kinds (except dates) was increased on March 26, 1930, from 2¼d. to 3d. (4.5 cents to 6 cents) per pound. The duty on sugar was also increased at that time from 8s. to 12s. 6d. (\$1.95 to \$3.04) per 100 pounds. In 1932 the sugar duty was again increased to 16s. (\$3.89) per 100 pounds. On May 4, 1931, the duty on lard and edible meat fats was increased from 1¼d. to 2½d. (2½ cents to 5 cents) per pound and on cured bacon from 3d. to 4d. (6 cents to 8 cents) per pound. In 1932 the duty on lard and edible meat fats was again increased to 4d. (8 cents) per pound. At the same time (1932) a duty of 4d. (8 cents) per pound was placed on all fresh, frozen, salted, and cured meats. The duty on full cream cheese was increased in 1932 from 4d. to 6d. (8 cents to 12 cents) per pound but with provision for a rebate of 2d. (4 cents) per pound on such types as are not produced in the Union of South Africa. The duty on eggs in the shell was increased in 1932 from 1d. to 3d. (2 cents to 6 cents) per pound. On wheat and wheat flour South Africa now maintains what amounts to a sliding-scale duty, the details of which are described below, under section 2, on wheat and wheat flour import restrictions. All of the above duties are the general rates applicable to countries outside of the British Empire. In many instances South Africa grants preferential rates to products coming from Empire sources.

Effective October 30, 1931, an additional or primage duty of 5 percent ad valorem was imposed on all goods imported into the Union of South Africa except wheat, wheat flour, public stores, schools and hospital furniture, and articles for the use of diplomatic agents. The purpose of this additional duty is to provide funds for the payment of an export subsidy on South African products (see sec. 4 below, "Export subsidies"). Moreover, the Government of the Union of South Africa on March 24, 1932, imposed a new customs surtax of 7½ percent on the gold value of all imports, except on goods used predominantly for agricultural purposes. This surtax is in addition to the primage duty of 5 percent ad valorem previously imposed.

On November 26, 1931, the Union of South Africa enacted an "exchange dumping" law. This law provided that an "exchange dumping duty" would be charged and collected, in addition to duties otherwise prescribed, on all goods imported from countries where the exchange value of the currency is

depreciated in relation to the Union of South African currency, and from which, by reason of such depreciation, imports might be made at prices that would be detrimental to an industry in the Union. In order to prevent the possible dumping of goods from such countries into the markets of South Africa the Minister of Finance was authorized to determine and apply (for the purpose of assessing the dumping duty) an artificial exchange rate at which the foreign currency of such countries should be computed in terms of the Union currency. The law provided that this dumping duty should be equal to "the difference between the f.o.b. cost at the port of shipment of such goods to the importer in Union currency on the one hand, and such cost (f.o.b. cost at port of shipment) expressed in the currency of the country of export of such goods computed in terms of Union currency at the rate determined by the Minister on the other hand: *Provided*, That the dumping duty or duties levied on any goods shall collectively not exceed one half of the value of such goods for the purpose of duty as determined under section 14 of the Customs Tariff and Excise Duties Act (no. 36) of 1925." (Quoted from Board of Trade Journal, United Kingdom, November 26, 1931). In accordance with this law "exchange dumping duties" are being levied in South Africa on a long list of agricultural and other products from countries whose currencies are depreciated in relation to Union currency.

2. *Wheat and wheat-flour import restrictions.*—The importation of wheat into the Union of South Africa has been subject to special regulation and control by the Government since March 18, 1930. A law of that date, known as the "Wheat Importation Restriction Act, 1930", gives the Minister of Finance the authority to prohibit, control, or regulate the importation into the Union of any class of wheat. The purpose of the act is to guarantee that wheat grown in the Union of South Africa will be marketed at prices above the world-market level. As means to that end, the Government imposes, in addition to the regular duty on wheat, a special duty equal to the difference between the landed cost and 11s. 3d. per 100 pounds (\$1.64 per bushel). The landed cost is the cost per 100 pounds to the importer at the port of importation in the Union and includes the cost of packing, packages, landing charges, dock dues, and the customs duties otherwise payable on wheat. The ordinary duty on wheat is 2s. 8d. per 100 pounds (\$0.39 per bushel) with a preferential rate 2d. lower, applicable to Canada. No wheat can be imported except under license by the Minister of Finance. Only such quantities of wheat are allowed to be imported as are imperative to the operation of the South African milling industry. In general, the law is designed to confine the imports of wheat to such quantities of hard wheat as are required for blending purposes in order to produce a satisfactory flour for baking.

In their application for wheat importation permits the importers must furnish particulars regarding (a) the quantity, grade, and c.i.f. prices; (b) country of origin and port of shipments; (c) port of landing and the place of destination in the union; and (d) the purpose for which the wheat is to be used, e.g., seed or milling. In case the wheat is to be used for milling, the following additional information must be given by the miller: (a) the quantity of the same class of wheat milled by him during the 3 calendar years prior to his application and during the current year up to the date of his application; (b) the separate quantities of other classes of wheat milled by him during the same periods, including South African wheat; and (c) the proportions of home-grown wheat and imported wheat required for blending.

The principles of the above law applying to the importation of wheat were later extended to the importation of wheat flour and wheat meal, under the flour importation act, approved by the Governor General on April 13, 1931. Effective that date, each importer of wheat flour and meal must first obtain a permit from the Minister of Finance without which no importation of flour can be made. The amount of flour that may be imported is determined by the normal import requirements of the previous years. The purpose of the law, of course, is to guarantee that domestic flour millers will be protected against competition from imported flour. Moreover, the duty on wheat flour is adjusted in such a way as to insure the milling of South African wheat in preference to the importation of flour. This is done by increasing the duty on flour so as to bring its landed cost to a figure at which local flour can be produced if the farmer is to receive the price for his wheat which the Government

desires him to get. To this end the Government, on May 4, 1931, imposed a special additional duty on wheat flour equal to the difference between the landed cost and 18s. 6d (\$4.50) per 100 pounds. The ordinary duty on wheat flour is 5s. 8d (\$1.38) per 100 pounds general tariff, with a preferential rate 4d. (8 cents) lower on flour from Canada.

Persons desiring to import wheat flour or meal must furnish the following information in their applications for licenses: (a) quantity, description, grade and quality, and purchase price, including freight and insurance; (b) country of origin and port of shipment; (c) port of landing and place of destination; (d) the amount of flour or meal imported by the applicant during each of the 3 calendar years prior to his application; (e) the purpose for which the flour is to be used; and (f) if intended for blending, the proportions of Union-milled and of imported flour to be used.

3. *Compulsory export quota for corn.*—A law designed to maintain the domestic price level for locally grown corn above the world market level went into effect in the Union of South Africa on June 5, 1931. The law worked badly for the cooperatives during 1931 for, while it raised prices, it was evaded and the cooperatives were left with a large carryover of cheap corn. The law was amended in May 1932. The original law, known as the "mealie control act of 1931", authorized the Minister of Agriculture to prohibit, control, or regulate the importation into the Union of mealies or mealie products (corn or corn products) and provided for the compulsory exportation of certain specified quantities of corn. This system amounts to dumping a surplus abroad in order to maintain prices at home, since it is by the application of a so-called "mealie export quota percentage" that the Government endeavors to maintain the local price level for corn above the world price level.

The most important provisions of this law, as amended, are as follows: (a) Between June 1 and August 31 of each year the Ministry of Agriculture must announce a so-called "mealie export quota percentage" for the succeeding 12 months. This export quota percentage is derived by dividing the estimated exportable surplus for the season by the estimated total quantity (exclusive of any corn necessary for consumption by the producer and his household, his tenants or farm servants, or for feeding to his livestock or the livestock of his tenants) available for sale during the season. (b) The export quota percentage thus calculated is applied as follows: Any individual or firm purchasing or otherwise receiving in excess of stipulated quantities of corn or the equivalent in corn products (either from domestic or foreign sources of supply) must export such a quantity of corn as corresponds to the official mealie export quota percentage. (c) The export proportion of each dealer's supply, thus calculated, must be exported by the holder of the corn or his agent, or through such other agencies as the Ministry of Agriculture may prescribe, within a period of 12 months or within such a longer or shorter period as may be directed by the Ministry of Agriculture. Under the amended law a double quota is imposed on producers with more than 1,000 bags (3,570 bushels) unsold at a specified date and not for use on the farm. Both the producer and the purchaser must set aside the stipulated quota. To avoid this, the large producer must either turn his crop over to a cooperative or else sell early when prices are generally low. (d) Registered cooperative societies are especially favored by this law, since they are authorized to take over the quantities of corn and corn products held for export by individuals or firms, to export such products, and to make advances against their export value. The utilization of the services of cooperatives, however, is not compulsory on the part of the holder unless specifically directed by the Ministry of Agriculture. (e) As previously indicated the Ministry of Agriculture may issue such regulations as he deems necessary in order to prohibit, control, or regulate the importation of corn or corn products into the Union of South Africa.

In accordance with the authority granted by this law, the Ministry of Agriculture on August 14, 1931, announced that the export quota percentage for the season ending May 31, 1932, would be 33⅓ percent. The following year the quota was fixed at 50 percent. This quota was expected to remove the entire surplus from the domestic market (with the exception of a small carry-over which it was felt should be retained in the Union) and to keep the domestic price level above the world market level. There is normally an annual

export surplus of from 20,000,000 to 25,000,000 bushels of corn in the Union of South Africa, but in 1931-32 exports amounted to only 8,000,000 bushels.

4. *Export subsidies*.—Under the so-called "Export Subsidies Act" of November 30, 1931, the South African Minister of Finance was authorized to pay an export subsidy on a long list of products for a period originally of only 12 months. The law became effective for most of the products to which it is applicable on December 1, 1931, but for some products it was made retroactive for periods as far back as May 1, 1931. The subsidy in each case was to be paid only for a period of 12 months commencing on the dates fixed for each product, so that making the payment retroactive in some cases merely hastened the end of the benefits. However, the system was subsequently extended.

Two schedules of commodities have been established upon which subsidies will be paid. The first schedule contains a long list of primary products: Angora wool, living animals, beans, peas, lentils, cereals (except wheat), cotton, flours, plants, all fresh fruits, peanuts, corn, corn products, all nuts, seeds (except lucerne), leaf tobacco, fresh vegetables, wool, mohair, tea, honey, fruit trees, vinegar, lard, preserved fruits, forest products, and various minerals. No subsidy will be paid to the exporter of any of the products mentioned in schedule I unless the claim is accompanied by the actual producer's stamped receipt for the subsidy. In other words, it is considered that the identity of the primary producer of these commodities can be preserved to the point of exportation. The exporter therefore pays the subsidy to the primary producer and claims refund of the subsidy from the Government upon submitting the producer's signed receipt for the same.

The payment of the subsidy on the commodities listed under schedule II is made to the exporter without the necessity of submitting a producer's receipt for the same. The articles in this class are butter, cheese, eggs, fish, dried fruits, fruit juices and sirups, hides and skins, sausage casings, various packing-house offals, jams and jellies, lucerne hay, lucerne meal, lucerne seed, fresh and frozen meat, salted and cured meat, condensed milk, oil cakes, animal and vegetable fats and oils, manufactured tobacco (other than cigarettes), wines, brandy, aloes, buchu, wattle extract, whale meal, and fishmeal.

The main purpose of the export subsidies law of 1931 was said to be to reimburse primary producers of exported products for losses sustained by reason of the fact that the Union of South Africa had remained on the gold standard, while many of her export markets had abandoned it. A second purpose was to encourage exports in order that a favorable balance of trade might be restored so that the Union Government could be successful in its efforts to maintain the gold standard. The funds for the payment of the export subsidies under this act were derived by the imposition on October 30, 1931, of a special 5 per cent ad valorem tax on practically all imports (except on goods produced or manufactured in Northern and Southern Rhodesia, Basutoland, Swaziland, Bechuanaland Protectorate, South West Africa, and Portuguese East Africa), as explained above under section 1 on tariffs.

When South Africa abandoned the gold standard at the end of 1932 the cost of imported articles was increased by reason of the altered exchange rates. The Government, therefore, revoked the primage duty of 5 per cent ad valorem which had been levied to raise funds for the payment of subsidies on primary products and also the special customs duty of 7½ per cent. (See sec. 1, Tariffs.) The subsidies, however, continue to be paid, but at altered rates. Funds for the payment of these subsidies are now expected to be available by reason of the increased profits being made by the various industries, especially the gold mines, and the larger taxes which those industries will pay the Government. The subsidy rate on most primary products, according to the latest change in the law (announced on Jan. 31, 1933), is reduced from 10 to 7 per cent; the rate on frozen and chilled beef is slightly reduced; the rate on live cattle is based on a sliding-scale arrangement which is somewhat higher, and the rates on other fresh and frozen meats is based on a sliding scale which is somewhat lower. One of the most significant changes relates to the subsidy on wool and mohair, which is changed from 25 per cent ad valorem to a flat rate of 1 pence per pound.

The actual amount of the subsidy in the original law was fixed at a flat rate for some products, while for others it was based on a certain percentage of the value of the goods exported. The following tabulation gives the amounts and the dates from which the subsidies have been payable in the original law and as amended by subsequent decrees.

South Africa: Export bounties on agricultural products, 1931-33

Commodity	Amount of subsidy ¹	Effective
Under the original law of Dec. 1, 1931:		
Corn.....	6d. (12 cents) per 200-pound bag or equivalent.....	July 1, 1931
Eggs.....	3s. 6d. (85 cents) per case of 30 dozen.....	Aug. 27, 1931
Citrus fruits.....	15 percent, based on a value of £8 10s. (\$42.99) per ton of 40 cubic feet.	May 1, 1931
Grapes.....	15 percent, based on a value of £16 (\$77.86) per ton of 40 cubic feet.	Dec. 1, 1931
Deciduous fruit.....	15 percent, based on a value of £12 (\$58.40) per ton of 40 cubic feet.	Do.
Wool and mohair (except skin wool).	10 percent ad valorem ²	July 1, 1931
Cheese.....	do. ²	Aug. 5, 1931
Butter.....	do ²	Aug. 12, 1931
Wines.....	do ²	May 31, 1931
Brandy.....	do ²	Dec. 1, 1931
Turkish tobacco.....	do ²	June 24, 1931
Other tobacco leaf.....	do ²	Dec. 1, 1931
Hides and skins.....	do ²	Do.
Cotton lint and linters.....	do ²	July 1, 1931
Other agricultural products listed in schedule I and II.	do ^{2 3}	Dec. 1, 1931
Under subsequent amendments:		
Fresh citrus fruits.....	2s. (49 cents) per export case.....	May 1, 1931
Wool and mohair.....	25 percent ad valorem ²	July 1, 1931
Eggs.....	4s. 8d. (\$1.14) per standard export case of 30 dozen.....	Aug. 27, 1931
Frozen beef.....	20 to 35 percent ad valorem according to price paid to producer and whether exported overseas. ²	Dec. 1, 1931
Chilled beef.....	25 to 35 percent ad valorem according to price paid to producer and whether exported overseas. ²	Do.
Live cattle and sheep.....	10 percent ad valorem ²	Do.
Other fresh and frozen meats.	20 percent ad valorem ²	Do.
Fresh grapes.....	£3 4s. (\$15.57) i.e., 20 percent based on a value of £16 (\$77.86) per ton of 40 cubic feet.	Do.
Deciduous fruit.....	£2 8s. (\$11.68), i.e., 20 percent based on a value of £12 (\$58.40) per ton of 40 cubic feet.	Do.
Pineapples.....	£1 12s. (\$7.79), i.e., 20 percent based on value of £8 (\$39) per ton of 40 cubic feet.	Do.
Citrus fruit.....	£1 14s. (\$8.60), i.e., 20 percent based on value of £8 10s. (\$43) per ton of 40 cubic feet.	May 1, 1931
Recent amendments announced Jan. 31, 1933:		
Wool and mohair.....	1d. (1.42 cents) per pound whether consigned to the coast for sale, or sold inland or exported direct by the primary producer.	Feb. 14, 1933
Dried fruit.....	7 percent of gold value ²	Do.
Fruit squashes.....	2s. (34 cents) per case of 2 dozen bottles, equal to 4 gallons and 6d. (8.51 cents) per gallon if in casks and drums.	Aug. 8, 1932
Fruit juices.....	2½d. (3.5 cents) per gallon.....	Do.
Candied fruit peel, and fruit peel in brine.	¾d. (¾ cent) per pound.....	Do.
Frozen beef in quarters exported overseas.	From 8.3 to 28 percent ad valorem, on the f.a.s. value. No subsidy paid where the f.a.s. value is less than 18s. 3d. (\$3.11) per 100 pounds.	Feb. 14, 1933
Frozen beef in quarters exported elsewhere than overseas.	14 percent on the f.o.r. loading station value of 19s. 6d. (\$3.32) per 100 pounds; for values below that figure at a rate to be determined by the Minister.	Do.
Chilled beef exported overseas.	From 8.7 to 28 percent ad valorem on the f.a.s. value. No subsidy paid where the f.a.s. value is less than 28s. (\$4.77) per 100 pounds.	Do.
Live slaughter cattle exported overseas.	do.....	Do.
Frozen mutton and lamb exported overseas.	do.....	Do.
Other meats.....	10 percent ad valorem on the f.a.s. value, Union currency, port of shipment.	Do.
On all other products on which the subsidy was formerly 10 percent ad valorem.	7 percent ad valorem ²	Do.

¹ Conversions to United States currency made at par, inasmuch as South Africa had not departed from the gold standard until the end of 1932. Effective Feb. 14, 1933, however, the conversions are made at the prevailing rates of exchange.

² Unless otherwise stated, the amount of the ad valorem subsidy is computed on the value of the goods exported as defined in sec. 41 of the South African Customs Act, 1925 (Act No. 36, 1925).

³ The subsidy is not payable on dried beans, and hides and skins (other than furred skins) exported to the United States.

5. *Control of the dairy industry.*—A private bounty, levied against all producers of butter and not paid out of the treasury of the Union, was being paid in South Africa on the exports of butter even prior to enactment of the general export bounty law above discussed. Late in 1930 the dairy industry control act was passed. This law set up a board with power to regulate and control the dairy industry, to grant loans to producers, to promote the consumption and exportation of dairy products, to stabilize prices, to prohibit the importation and the exportation of butter and cheese except under a system of licenses, and to determine the quantity of butter and cheese which must be exported during a given period.

Acting under the authority conferred by the dairy industry control act of 1930, the board imposed a levy of 1d. (2 cents) per pound, effective October 1, 1930, on all butter, butter substitutes (including renovated, milled, milk-blended, and processed butter), and cheese, either imported into the Union of South Africa or manufactured in domestic plants. The fund created by this levy was to be used for paying a bounty on exports of butter and cheese.

The board announced that beginning October 1, 1930, a bounty would be paid on exported butter amounting to 6d. (12 cents at par) per pound for first-grade butter, 4d. (8 cents) per pound for second grade, and 3d. (6 cents) per pound for third-grade butter. This bounty was increased on December 19, 1930, to 8d. (16 cents) on first-grade butter; 6d. (12 cents) on second-grade butter; and 4d. (8 cents) on third-grade butter. The announcement of the board also provided for the payment of a bounty of 3½d. (7 cents) per pound on first-grade cheese, 3¼d. (6.6 cents) per pound on second grade, and 3d. (6 cents) per pound on third grade.

On December 1, 1931, a Government notice (no. 686) announced that the bounties payable by the dairy industry control board to any person exporting butter or cheese with its permission would be as follows, the bounties being retroactive to November 15, 1931: On butter, first grade, 6½d. (13 cents at par) a pound; second grade, 5½d. (11 cents); third grade, 3½d. (7.1 cents); and on cheese, first grade, 4d. (8 cents); second grade, 3¾d. (7.6 cents); and third grade, 3d. (6 cents) a pound.

In the early months of 1932 the dairy industry control board paid heed to the accusation that the bounties on butter and cheese were not being passed back to the producers in sufficient degree. The board increased the rate of bounty on butter exported, retroactive to November 1, 1931, by ½d. (1 cent) per pound on each of the three grades on the condition that the price paid producers for butter fat had been not less than 10d. (20 cents), 9d. (18 cents), and 7d. (14 cents) per pound, according to the three grades of butter fat. Similarly the export bounty on the three grades of cheese was increased from 4d., 3¾d., and 3d. (8 cents, 7½ cents, and 6 cents) on the three grades to 6d., 5d., and 4d. (12 cents, 10 cents, and 8 cents) per pound respectively, on the condition that factories paid for milk a price not less than 5d. (10 cents) per gallon or 1s. 2d. (28 cents) per pound of butter fat. The board at that time also determined that the quantity of butter which must be exported from the Union before April 15, 1932, was 3,000,000 pounds, each factory to export its pro rata quantity. The quantity of cheese to be exported before that date was fixed at 500,000 pounds.

The significant feature of the dairy industry control act in South Africa is that the bounty paid under its provisions is entirely chargeable to the dairy industry. The industry itself, without financial assistance from the Government, creates a fund with which to pay a bounty on export; though, in contrast to the Paterson plan in Australia, it is to be noted that the administration of the scheme is under public rather than private auspices. Under the new export subsidies act, 1931, on the other hand, the Government itself sets up a fund by means of a special 5 percent ad valorem tax on imports, out of which subsidies are paid on the exports of the various commodities listed, including butter and cheese. This is, of course, additional to the bounties paid under the dairy control act.

In accordance with the authority granted by the dairy control act of 1930, a proclamation was issued on May 29, 1931, prohibiting the importation of hard pressed cheese (such as Cheddar), sweet-milk cheese of the type commonly known as "Gouda", Edam cheese, and all types of processed, blended, and pasteurized cheese into the Union, except under license granted by the Minister of Agriculture for such quantities and during such periods as the minister may determine. The prohibition, however, does not apply to imports from Southern and Northern Rhodesia, Southwest Africa, the Bechuanaland Protectorate, and Swaziland.

With a further view to promoting the sale of South African butter and cheese abroad on a quality basis, two regulations were issued establishing regulations for the exportation of butter and cheese. The law in regard to the exportation of cheese (no. 688) went into effect on April 24, 1931, and that in regard to the exportation of butter (no. 900) on May 29, 1931. Both laws required exporters to secure permits for exportation. These laws established official grades and standards for butter and cheese intended for export and provided complete procedure for official inspection and certification. The exact manner of packing, marketing, and storage is also provided for.

The original dairy industry control act, 1930, provided that all butter and cheese factories had to export during any specified period a designated amount of butter and cheese, equivalent to a specified percentage of their production during the preceding 12 months. The percentage was variable from time to time but uniform as between the various creameries. In other words, if a factory produced 100 000 pounds of butter in 1931 its compulsory export quota in 1932 might be 10,000 pounds or 10 percent. This law, however, was found to be unjust to creameries and cheese factories whose output varied from year to year. Under the old law the above-mentioned creamery would be required to export 10,000 pounds of butter during 1932 regardless of the fact that its output may have dropped to 50,000 pounds.

An amendment to the original act was enacted into law on March 31, 1932, correcting this injustice by authorizing the dairy industry control board to increase or decrease the export quota of the creamery or cheese factory in the event that the output has been increased or decreased since the preceding year. In this connection the new law now specifies that "if in the opinion of the board it is in the interest of the dairy industry that steps be taken to ensure the export of butter or cheese from the Union during any period, the board may determine the quantity of butter or cheese which shall be exported during that period." The new law further specifies that whenever the board has made a determination (as above provided for) it shall fix the quantity of butter or cheese which every individual owner of a registered creamery or registered cheese factory shall be required to export or to deliver to the board for export during such period.

The law now provides that the exact amount of butter or cheese which any individual creamery or factory must export "shall be that quantity of butter or cheese, as the case may be, which bears the same ratio to the total quantity of butter or cheese manufactured by such owner during the 12 calendar months last preceding the date upon which such determination is made, as the quantity of butter or cheese, as the case may be, determined by the board bears to the total quantity of butter or cheese manufactured in all registered creameries or registered cheese factories during the said 12 calendar months." The law also provides, however, that if the board is of the opinion that the quantity of butter or cheese which any owner of a registered creamery or factory will manufacture during the 12 months succeeding the date upon which the export surplus is determined, is likely to be greater or less than the quantity manufactured by him during the 12 months preceding that date, it may increase or reduce the compulsory export quota for that particular creamery or factory.

6. *Special loans and price maintenance for wool.*—The low prices paid for wool in South Africa have given rise to a general demand on the part of wool growers for some sort of government aid. Thus far, however, the Government has taken no action except to provide the Land and Agricultural Bank with funds for making short-time loans to wool growers. The purpose of such loans is to enable growers to keep their wool off the market until prices improve. In accordance with this policy, the land bank has advanced \$1,500,000 to the wool cooperatives.

The Union Government has a voice in the wool council, which cooperates with the South African Wool & Mohair Brokers' Association in regulating weekly offerings of wool whenever such action is deemed necessary. During 1931 all of the markets were rationed with limited quantities to be offered each week. In 1932 this policy was adopted less generally and only for brief periods. Draft legislation is now being formulated for early enactment which is intended to rationalize the marketing of wool, promote efficiency, and enhance net returns.

Late in 1931 the South African Wool & Mohair Brokers' Council established what they considered should be the lowest prices paid by their members for wool. Minimum prices were established for each of the important grades and brokers agreed "to resist selling prices below those figures." There is no com-

pulsion enforcing adherence to the agreement, but it was believed that the mere existence of the agreement would help to stabilize prices to growers at more satisfactory levels. As an additional measure of relief to wool growers, the railway administration reduced the freight rates on wool transported over the South African railways by approximately 33⅓ percent, effective September 1, 1931.

7. *Proposed grape-acreage control.*—A bill introduced into the Parliament of the Union of South Africa late in 1931 provided for the control of grape acreage in that country. The bill was passed at the second reading by the Legislature of the Union at the end of April 1932, but it did not pass its third and final reading before adjournment. It was expected that the bill would be reintroduced at the next session. While three short emergency sessions of Parliament have been held since that time, more urgent matters have prevented a further discussion of the bill. The next regular session of Parliament is to be convened in the latter part of 1933. The terms of the bill are so interesting, and the possibility of its enactment apparently such, as to warrant a brief account of its provisions.

Most of the grapes grown in South Africa are used for the manufacture of brandy, and most of the brandy is consumed locally. Only 5 or 10 percent of the grapes are used for producing raisins. Since 1924 the Cooperative Wine Growers Association has had complete control of the sale of distilling wine under the compulsory cooperative law.

According to the bill above referred to, no more than 100 grape vines can be planted by any one planter in the Cape Province for a period of 3 years without a permit from the Cooperative Wine Growers Association. Such permits may be given only for replacing vineyards, or for the planting of grapes to be used as fresh fruit, raisins, sultanas, or for the making of so-called "good wine" as distinct from grapes used for the manufacture of "distilling wine." The bill also authorizes the Cooperative Wine Growers Association to fix the minimum price to be paid for grapes used for the manufacture of wine and the minimum price at which the wine itself may be sold in the Union.

In general, the purpose of the bill is to enable the association (*Kooperatiewe Wijnbouwers Vereniging van Zuid-Afrika Beperkt*), which has a monopoly of the sale of "distilling wine", to maintain its prices of this product without causing a further increase in production. The association proposes to establish a sliding scale of prices at which wine will be purchased from growers. These prices will vary according to the quality of the wine and according to the quantities produced. The growers who contribute the highest percentage of distilling wine will receive the lowest price.

The above bill, together with the regulations which will be imposed by the Cooperative Wine Growers Association, will make the production of surplus "distilling wine" less profitable than the production of raisins and sultanas, so that the production of dried fruit may be expected to increase, while the production of wine will undoubtedly decrease. There will also be a tendency for wine-grape growers to turn from the sale of wine to the production of fresh grapes for export. However, in view of the fact that export grapes must be trellised differently, prethinned with great care, and grown by men who are really specialists in this phase of the business, it is not likely that the new legislation will increase the production of export grapes in any marked degree.

This proposal is the outgrowth of previous enactments. Toward the end of 1917 the wine market was very depressed. The farmers decided to unite, and thus the *Ko-operatiewe Wijnbouwers Vereniging van Zuid-Afrika Beperkt* was formed. Over 95 percent of the wine-grape growers joined this association, and a board of directors, appointed by the members, now fixes yearly the prices for wine. The farmers on joining agreed not to sell their wines to any merchant who was not a member of the association, and on their part the merchants promised to buy wines only from farmers who are members. In case a member sold his wines below the minimum price or to a noncontracting merchant, he was liable to a fine of £5 (\$24.33 at par) per leaguer (153.7 United States gallons), unless he exported his wines. Difficulties, however, arose with regard to certain ambiguous clauses in the constitution. This led to the subsequent reorganization of the association on a new basis. The wine merchants thereupon resigned as members of the association.

During the first session of Parliament in 1924 the wine and spirits control act (no. 5 of 1924) was passed, which gave the association absolute control over all wines declared by the producer as "distilling wine" whether belonging

to a member or a nonmember. Under this law every wine producer in the Cape Province renders a report to the association on a certain date each year in which he lists the quantities of all wines, spirits, and brandy produced by him, and states what quantity he still holds for disposal for consumption as wine, and what quantity he still has for sale as distilling wine. Moreover, this law provided that after June 1, 1928, only spirits and brandy kept in wood for at least 3 years could be sold for consumption. The price the farmer gets for distilling wine is fixed each year by the board of directors, according to the surplus. No wine can be included in the surplus, which was not declared as distilling wine.

The law also provided that for a period of 3 years the association could deduct 10 shillings (\$2.43) for every leaguer (153.7 United States gallons) of wine sold by a member, and for every amount so deducted the member would receive a share in the association. The intention was that the fund thereby created would be used by the association when necessary to deal with any surplus wine which might be on the market, the association buying these wines at a minimum price, and after they have been turned into spirits, disposing of them outside of the union.

8. *Regulation of tobacco trade.*—A law was enacted in South Africa during May 1932 authorizing the Minister of Agriculture (a) to prohibit, control, or regulate the importation into the Union of tobacco; (b) to fix a compulsory tobacco export quota percentage whereby the export of tobacco is regulated in accordance with the export quota percentage; and (c) to prohibit the purchase from growers, the importation or the manufacture of tobacco, except by properly licensed persons or organizations. The purpose of the law is to prevent tobacco prices from falling to the price level which would be obtained for tobacco exported at prices now prevailing overseas. The law is similar to the maize control act, 1931 (see sec. 3, above), and the dairy industry control act, 1930 (see sec. 5, above), in that it attempted to relieve the local market of the exportable surplus through fixing an export quota which must be exported, even if at a loss.

The most important feature of this law is the compulsory export quota provision. In this connection the law provides that between April 1 and September 30 in any year the Ministry of Agriculture may fix a percentage, to be known as the tobacco export quota percentage, in respect of any or every class of tobacco for the 12 months ending March 31. The minister may fix different percentages in respect of different classes of tobacco or he may fix the percentage for only one or for specified classes of tobacco. Every tobacco trader who acquires from a grower or an importer in any particular month any tobacco of a class in respect of which an export quota percentage has been fixed, is compelled to export "such a weight of that class of tobacco as amounts to the percentage of the weight of that class of tobacco so received by him during that month which corresponds with the tobacco export quota percentage fixed in respect to that class of tobacco for the period in question." Limited quantities of imported tobacco are exempted from the quota for any year so that manufacturers will be sure of having on hand sufficient quantities of special types for blending purposes.

No tobacco-export quotas were established for 1932-33 because the law was not enacted until so late in the season that the burden would have rested disproportionately upon the cooperatives.

The Union of South Africa allows duty-free entry for only 2 000,000 pounds of Virginian tobacco and 400,000 pounds of Turkish tobacco per year from the colony of Southern Rhodesia, and only 500,000 pounds per year from the colony of Northern Rhodesia.

The Union of South Africa has a compulsory cooperation law which requires 100 percent of the production of designated products in designated areas to be marketed through specified cooperatives whenever 75 percent of the producers controlling 75 percent of the production request such action. This law is in operation for practically all of the Turkish tobacco, most of the Virginian tobacco, and all of the distilling wine produced in the Union. This unified control of sales confers on the cooperatives the power to establish monopoly prices.

9. *Meat price control act, 1932.*—An act designed to prevent glutting of the municipal markets with livestock, thereby causing prices to collapse, was enacted at the end of May 1932. The law provides for the establishment of a meat-control board consisting of three members appointed by the Governor General. The chairman of this board shall be a government official. The sec-

ond member shall be a representative of the livestock producers, and the third member a representative of the meat trade. The law provides that it shall be the duty of the board to recommend to the Minister of Agriculture any steps calculated to promote the welfare of the meat industry and trade, with due regard to the consumers of meat.

Among the powers which the Governor General is authorized to confer upon the board are the following: (a) To determine the maximum numbers of slaughter cattle, sheep, and pigs, or the maximum quantities of beef, mutton, or pork, which during any period fixed by the board shall be lawful to be transported by rail into or out of any area defined by the board; (b) to determine the maximum numbers of slaughter cattle, sheep, or pigs which it shall be lawful to sell or offer for sale on any day or during any period fixed by the board. The law also authorizes the Governor General to determine and issue a proclamation as to the highest prices at which it shall be lawful to sell (otherwise than by public auction) beef, mutton, or pork of specified grades and quality at a place or within an area defined by the proclamation. This power to fix maximum prices for meat sold other than at public auction is intended to check any tendency on the part of meat dealers to exact exorbitant prices from the public at times when livestock supplied may be artificially limited.

The act of 1932 was intended only as a temporary measure. Draft provisions for a comprehensive bill to be enacted at the next session of Parliament were released late in 1932. These met with a favorable response. The proposed law reenacts the provisions of the 1932 law, and in addition provides for (a) the elimination of scrub bulls, (b) a livestock levy for paying additional subsidies on overseas exports of livestock and meat, and (c) government loans for constructing cold-storage facilities for cooperative associations. A board of 11 members is proposed. The proposed export levy is 2s. (49 cents) on all cattle and 6d. (12 cents) for all calves, sheep, and goats slaughtered at abattoirs of recognized slaughter pools. The cattle levy would provide a fund of about \$250,000 and the sheep levy approximately \$500,000.

10. *Compulsory cooperation*.—Another instance of governmental support to agriculture in South Africa is found in the official encouragement given to agricultural cooperatives. Compulsory cooperation is now enforced in the Union of South Africa whenever groups of farmers representing 75 percent of the producers of a given product and controlling 75 percent of the output of that product favor such centralized control.

11. *Levies on agricultural exports*.—A post-war innovation in government intervention in South African agriculture is the imposition of levies under various acts on agricultural exports. Such levies are now imposed on exports of cotton, citrus fruits, pineapples, deciduous fruits, butter, cheese, hides and skins, and wool. The sums collected from these levies are returned by the Government to the industries concerned, where they are used for various purposes connected with general improvements in the industry, but mostly for the support of the agricultural cooperatives and for advertising their produce abroad. All exporters of the products affected are compelled to ship through the cooperatives. A portion of the levies collected on citrus fruit, deciduous fruit, eggs, butter, and cheese is paid to the perishable products export control board, which arranges shipping space and assists in regulating exports, particularly making sure that the products are graded according to law.

12. *Indirect government subsidies*.—For several years the Union Government has granted reduced freight rates under the Drought Distress Relief Act to certain districts which may be designated from time to time as drought areas, for the removal of livestock to more favorable areas. Furthermore, freight may be paid under a promissory-note system. In addition the Union Government has extended credit to farmers on favorable terms through the Government Land and Agricultural Bank. These loans are for the purchase of land, fencing, and other improvements. Loans are also extended to tenant farmers. Large advances are also made to the cooperatives for marketing their crops. Under this policy the cooperatives may obtain control of sufficiently large quantities to sustain or increase prevailing market prices. In 1931 the Union Government authorized the Government Land and Agricultural Bank to lend during the year ending March 1932 the sum of £5,000,000 (\$24,000,000) at 6 percent for the relief of farmers who were under pressure from their creditors, thereby sustaining the production of insolvent farmers. No advances were made for improvement or current expenses. The Government provides practically all the funds which the land bank lends.

13. *Imperial preference.*—South Africa adopted a policy of preference on imports from the United Kingdom in 1903, but it was not until 1919 that South African farmers received any preferential treatment for their products in the British market. Even then such preferences were extended only to sugar, tobacco, wines, and dried fruits. The South African Government in common with those of the other self-governing dominions has always advocated a wider application of the preferential idea by the British Government to products from Empire sources. In its negotiations with the other self-governing dominions South Africa has always insisted on reciprocal or even greater advantages for her products. In Canada, New Zealand, and Australia, South Africa had secured some measure of preference for a limited number of agricultural exports; but being a large exporter of many of the same products exported in considerable quantity from the other dominions, it can be said that up until the signing of the Ottawa agreements late in 1932 South African farmers in general had not profited to any material extent from imperial preference in the other markets of the Empire.

The Ottawa Conference late in 1932 marked a turning point in the tariff policies of all of the members of the British Commonwealth of Nations. As already indicated in an earlier part of this report the agreements growing out of that conference provided for a sweeping application of the preferential principle in all parts of the Empire, thus making the economic integration of the Empire a matter of actual fact. As far as South Africa is concerned the Union Government entered into four agreements, i.e., with the United Kingdom, Canada, the Irish Free State, and New Zealand. It was in the agreement with the United Kingdom, the leading market for South African agricultural exports, that South African farmers secured their greatest benefits. In regard to the other parts of the Empire it can be said that the agreements in general were designed to facilitate trade in those commodities in which each dominion is best fitted, by its natural resources and its industrial development, to supply the needs of the other.

Among the advantages secured by South African farmers in the agreement with the United Kingdom were the imposition of the following duties on products imported from countries outside of the Empire: Oranges, 3s. 6d. per hundredweight (\$0.76 per 100 pounds at par) from April 1 to November 30; grapefruit, 5s. per hundredweight (\$1.09 per 100 pounds) from April 1 to November 30, but with the promise that Parliament would be invited to extend the duty to cover the whole year; peaches and nectarines, 14s. per hundredweight (\$3.04 per 100 pounds) from December 1 to March 31; plums, 9s. 4d. per hundredweight (\$2.03 per 100 pounds) from December 1 to March 31; grapes, 1½ d. per pound (\$3.04 per 100 pounds) from February 1 to June 30; raw apples and pears, 4s. 6d. per hundredweight (\$0.98 per 100 pounds) throughout the year; raisins, prunes, and certain other dried fruits, 10s. 6d. per hundredweight (\$2.28 per 100 pounds); corn, 10 percent ad valorem; butter, 15s. per hundredweight (\$3.26 per 100 pounds); cheese, 15 percent ad valorem; and eggs in the shell, from 1s. to 1s. 9d. (\$0.24 to \$0.43) per great hundred (i.e., 10 dozen), depending on weight. In addition the United Kingdom promised that the ad valorem duties imposed on certain foreign products under the Import Duties Act of 1932 would not be reduced without the consent of the South African Government. Moreover, the British Government agreed to maintain the existing margin of Empire preference on tobacco for a period of 10 years. Of possibly the greatest value to South African farmers, however, was the promise by the United Kingdom to impose quota restrictions on imports of meat from non-Empire countries. Complete details as to these developments will be found in section 1c, "Tariffs", under the United Kingdom. (Concerning the Ottawa Agreements, see also ch. VII, above.)

UNITED KINGDOM

Until very recently, British agriculture had for nearly a century been exposed to virtually unrestricted competition from the agriculture of other parts of the world. With minor exceptions, from the repeal of the corn laws in the middle of the last century down to 1931 neither direct nor indirect subventions were granted for the purpose of strengthening the competitive position of British farmers in the home market. But with the advent of the National Government in the autumn of 1931 Great Britain began to put into effect a series of tariff measures, which reached their culmination in the Ottawa agreements. The latter marked a complete reversal from the traditional free-trade policy of Great Britain to one of outright protectionism, in which pro-

tection of the domestic agrarian interests formed an essential part. In addition the United Kingdom has set up a bounty system in aid of her wheat growers and sugar-beet producers as well as quota restrictions on imports of livestock and meat products. All of these measures will be described below, as will another measure of great significance, passed by the Labor Government in 1931—the British Agricultural Marketing Act.

1. *Tariff duties.*—The drift toward protectionism in Great Britain began during the war, when revenue was needed and when it was deemed advisable to encourage the development of certain key industries in the interests of national defense. By 1930 Britain possessed a rather formidable array of import duties. They were of three general types: (1) Revenue tariffs, such as the duties on tobacco, spirits, wine, coffee, cocoa, etc.; (2) protective tariffs, such as the McKenna duties, the key industries duties, and the safeguarding duties; and (3) the preferential tariff, which granted lower rates or gave free entrance to the products of the dominions and colonies in respect of the first two mentioned classes of duties. Up until that time, however, the British Government had rigorously adhered to its traditional policy of absolute free trade in essential foodstuffs and raw materials. The complaints of the agricultural interests were easily ignored, for agriculture was a minor factor in British economic life, and in any case the electorate had repeatedly voted its opposition to a tax on food. The collapse of world prices for agricultural products in 1929, followed by the series of legislative devices adopted in other agricultural-deficit countries to regulate imports of farm products, added tremendously to the burden of farmers in Great Britain, since that nation offered the only remaining market in which the agricultural surplus-producing countries of the world still found an outlet unincumbered by legislative restrictions. This fact, together with the wave of depression that swept over the world in 1930 and 1931, eventually resulted in August 1931 in the establishment of a so-called "National Government", in which the electorate gave the Cabinet a definite mandate to adopt whatever measures were necessary to deal with the emergency. For convenience the discussion of British customs duties on agricultural products may be covered under two general heads—products made dutiable prior to November 1931 and those upon which duties have been levied since that time. In referring to the duty rates, all conversions to United States currency are made at par of exchange. As of May 1933, sterling was depreciated by nearly 19 percent.

(a) *Duties of earlier origin.*—On a limited list of products of agricultural origin the United Kingdom has levied duties for many years, but they are mostly budget duties, imposed for revenue purposes and not protective duties. They include such agricultural items as sugar, molasses, wines, tobacco, coffee, cocoa, and chicory. Subsequently dried and preserved fruits and hops were added. Until its repeal in 1929, a duty had also been imposed on tea, but the new budget proposals for 1932–33 restored a duty on that item. Though imposed mainly for revenue purposes, all of these duties have afforded a basis for tariff preference to the dominions, and one of them, namely, sugar, is also the partial basis of protection of a young and expanding domestic beet-sugar industry.

The principle of imperial preference, whereby several of the above-mentioned dutiable products were granted special tariff reductions when coming from Empire sources of supply, was adopted as an experiment in 1919, but it was subsequently expanded to include all of the products mentioned. The present duty on leaf tobacco, unstripped, containing 10 pounds or more of moisture per hundred pounds is 9s. 6d. per pound (\$2.31) and on that containing less than 10 pounds of moisture per hundred pounds the duty is 10s. 6d. (\$2.55). The corresponding preferential rates are 7s. 5½d. and 8s. 2⅞d. per pound (\$1.81 and \$2.16), respectively. No tobacco is grown in the United Kingdom, but a great deal is grown in the Empire. On hops, dutiable since 1925, the present duty from foreign sources of supply is £4 per hundredweight (\$17.38 per 100 pounds), with a preferential rate of £2 13s. 4d. per hundredweight (\$11.59 per 100 pounds) when coming from Empire areas. On dried figs, prunes, and raisins, dutiable at varying rates since 1919, the duty is now 10s. 6d. per hundredweight (\$2.28 per 100 pounds), with free entry from Empire countries. On sugar duties have been levied continuously since 1901. At present (May 1933) the rate on sugar imported from countries outside of the Empire is 11s. 8d. per hundredweight (\$2.54 per 100 pounds) for sugar exceeding 98° of polarization. On sugar from Empire sources, however, the duty is 4s. 9½d.

per hundredweight (\$1.04 per 100 pounds) when between 98° and 99° and 5s. 10d. per hundredweight (\$1.27 per 100 pounds) when exceeding 99°.

The new budget proposals for 1932-33 left the full duty rates on sugar unchanged, and similarly those for the dominions, but they provided for additional preferences to the colonies, and they included also a reduction of the excise duties. As compared with the preferential rates given above, which are to continue for the dominions, the new rates for the colonies are for sugar exceeding 99°, 4s. 8½d. per hundredweight (uncertificated) and 3s. 6½d. per hundredweight (certificated); for sugar exceeding 98° but not exceeding 99°, 3s. 8½d. and 2s. 7½d., respectively, for uncertificated and certificated. As regards excise duties, a reduction to 4s. 7d. per hundredweight was provided for sugar above 99° and to 3s. 7½d. for that between 98° and 99°. The new budget proposals also provided for the reimposition of customs and excise duties on tea, as follows: Full duty, 4d. (8 cents at par) per pound; preferential rate, 2d. (4 cents) per pound; excise tax, 2d. per pound.

(b) *Duties originating since October, 1931.*—Acting under its new mandate, following the general election in October 1931, the British Government has introduced a series of tariff measures culminating in the adoption of a general policy of protection. The first law, known as the "abnormal importation act", became effective on November 24, 1931. Under this act duties were levied on a wide range of products, but all of them were of an industrial nature. In other words, agricultural products were not affected by the act. As affecting agriculture the first tariff measure was the horticultural products act of December 11, 1931. By that act the Government was authorized to levy duties up to 100 percent ad valorem on fruits, vegetables, and floricultural products, except on products of Empire origin. The fresh fruits included were cherries, currants, gooseberries, hothouse grapes, plums, raspberries, loganberries, strawberries, peaches, and hothouse nectarines. The list of fresh vegetables included asparagus, green beans, broccoli, cauliflower, carrots, lettuce, endive, chicory, cucumbers, mushrooms, green peas, turnips, and tomatoes. In all instances the duties were imposed on a seasonal basis, free entry being permitted during other periods of the year. With the exception of plums, none of these products are exported from the United States to England in significant quantities. The countries principally affected by this measure were the Netherlands, France, Belgium, Italy, Spain, the Canary Islands, and Algeria. In all cases British Empire countries received full preference; that is to say, free entry into the British market. These horticultural duties were first considered as merely temporary, but on September 1, 1932, a permanent schedule was put into effect. In placing duties on horticultural products the Government took a step in regard to agriculture that had not been taken since the repeal of the corn laws in 1846.

In the meanwhile a subcommittee of the Cabinet had been working on a new general tariff. The new law, known as the "import duties act, 1932," became effective on March 1, 1932. This act imposed a general tariff of 10 percent ad valorem on all imports from sources outside of the Empire, except on goods already subject to import duties and on certain products specifically exempted in the act. This sweeping break with the past, however, was still not so severe as to involve the taxation of Britain's chief competitive agricultural imports since wheat, meat, live animals, hides and skins, and wool were specifically exempted. As a result a large part of British agriculture remained unaffected by the act. The exemptions also applied to such noncompetitive imports as corn, tea, cotton, cottonseed, rapeseed, soybeans, and linseed. One item, namely maize, was not exempted in the bill as originally introduced, but was exempted later during debate. On this point the Government explained that the British market for maize was important to Argentina, a country with which Great Britain intended to enter into consultations with a view to concluding mutually advantageous commercial relations; and, further, that a tax upon it would be especially burdensome to farmers in Northern Ireland. However, in the trade agreement with the Union of South Africa later negotiated at the Ottawa Conference (see below), the British Government agreed to impose a duty of 10 percent ad valorem on flat white corn.

Other noteworthy features of the import duties act include (1) exemption of colonial products from the general tariff, and exemption also, until after the Imperial Conference in Ottawa in July (specifically, until Nov. 15, 1932), of imports from the dominions; (2) authorization of the appointment of an import duties advisory committee to recommend to the Treasury, for execution by

administrative order, additional duties on nonessential imports and also on "articles of a kind which are being produced or are likely to be produced in the United Kingdom in quantities which are substantial in relation to United Kingdom consumption"; (3) authorization to the board of trade to impose duties up to 100 percent, in addition to existing duties, on imports from countries discriminating against British goods; and (4) granting of authority to negotiate mutual tariff concessions with foreign countries.

On April 26, 1932, in response to the recommendations of the import duties advisory committee referred to above, a tariff order went into effect increasing on most classes of manufactured goods the 10 percent ad valorem duties levied after March 1 under the import duties act, to rates varying from 15 to 33½ percent, with 20 percent as the predominant figure. At the same time the duties levied in November and December under the abnormal importations act were revoked, and lower rates (or in some instances, none at all) were substituted under the new order. All of the dutiable products originating in the British Empire (except silk hosiery and rubber tires) were to continue on the free list. Horticultural products, already dutiable under the horticultural products act, and other articles of food were for the most part excluded from the foregoing orders. The only exceptions were certain processed foods, namely, (1) fruit preserved by chemicals or artificial heat, other than fruit preserved in sugar, on which the new (total) rate was fixed at 25 percent ad valorem; (2) vegetables (other than tomatoes) preserved in airtight containers (not including pickles and vegetables preserved in vinegar), on which the new rate established was 20 percent; and (3) milk, condensed, sweetened, or slightly sweetened, whole (already dutiable in the British budget prior to the enactment of the general tariff), on which somewhat complicated provision was made for a contingent, additional duty.

With reference to the general subject of duties on horticultural and other food products the import duties advisory committee stated as follows: "It will be observed that the schedule includes very few horticultural products or other articles of food. As regards horticultural products within the range of the horticultural products act, the existing orders appear to us to meet the most pressing needs; and power still remains under that act to the Ministry of Agriculture and Fisheries to deal with any emergency arising in the present year. We prefer, therefore, to postpone for a time any recommendations in regard to articles covered by this act until we have been able to examine the situation more thoroughly."

"Food products are of outstanding importance by reason of the extent to which they enter into the cost of living; no less than 60 percent of the Ministry of Labor cost of living index being based upon retail food prices. While we recognize the desirability of stimulating the production in this country of many food products now figuring largely in the national imports, we have to take cognizance of the action that is being taken, or is known to be in contemplation, by the Government in this direction otherwise than by way of import duties. Outside this field of action we find that in the more important cases the effect of any additional duties on the cost of living is dominated by the treatment of imports from other parts of the Empire. Under section 4 of the Import Duties Act all imports of Empire products are exempt from the general ad valorem duty and any additional duty until November 15 next, and the arrangements to come into force after that date in regard to products from Dominions and India will be the subject of discussion at the Ottawa conference next July. In these circumstances, and until we can estimate the effect of our recommendations more precisely, we have decided to recommend additional duties on food products only in a few cases."

(c) *The Ottawa agreements.*—The final step in the adoption of complete protectionism for all British industries, both agricultural and industrial, was taken at the Ottawa conference in August 1932. The British delegates went to the conference with the knowledge that they would be called upon to grant sweeping tariff protection on behalf of agrarian interests in the Dominions. A determination to give special protection for its home agriculture, however, characterized all of the agreements entered into by the United Kingdom with the other parts of the Empire. Seven of the twelve agreements concluded at that conference were between the United Kingdom and her overseas possessions, namely, Canada, Australia, New Zealand, South Africa, British India, Newfoundland, and southern Rhodesia. The general policy enunciated in these agreements was that Great Britain must give first support to its domestic

agriculture but that the Dominions would be given an expanding share in the import requirements of the British market.

The first evidences of this policy are contained in the agreements with Canada, Australia, southern Rhodesia, New Zealand, South Africa, and Newfoundland. After providing for the maintenance of the general duty of 10 percent ad valorem established by the Import Duties Act, 1932, referred to above, the agreements with these Dominions specify that free entry of eggs, poultry, butter, cheese, and other milk products from Empire sources of supply will continue for only 3 years. At the end of that period the British Government reserves the right either to impose a preferential duty on these products when coming from the Dominions or to bring them within any system which may be devised for the quantitative regulation of supplies from all overseas sources. The next evidences of the new policy are contained in subsequent provisions of the agreements with Canada, New Zealand, South Africa, and Australia. These provide for regulating the competition which domestic livestock interests must face from imports of pork and pork products, beef, lamb, and mutton. It is specifically provided in this connection that the interests of producers in other parts of the Empire must be second to those of producers in Great Britain.

The protection to the domestic livestock industry has taken the form of quota restrictions on imports from countries outside of the British Empire. In the case of chilled beef, imports are limited to 100 percent of the volume brought in during the year ended June 30, 1932. No chilled beef is imported into the United Kingdom from Empire sources of supply. The limitation of imports of this product to the quantities brought in during 1931-32, however, was expected to prove of great value both in hardening the prevailing market and as a safeguard for the future. In the case of frozen beef, lamb, and mutton imports from countries outside of the Empire have been progressively restricted over a period of 18 months, beginning on January 1, 1933. For the purpose of this restriction the imports for the 12 months ending June 30, 1932, were also taken as the base. For these products, however, the imports from countries outside of the Empire have been limited not to the total quantities brought in during 1931-32 but to percentages of those quantities. These percentages have been fixed by quarters up to the end of June 1934. In the first quarter of 1933 the imports of frozen lamb, mutton, and beef from countries outside of the Empire were limited to 90 percent of those for the corresponding quarter of 1931-32. For subsequent quarters up until the end of June 1934 the percentages that may be imported are progressively reduced until only 65 percent of the imports for the corresponding quarter of 1931-32 may be brought in.

These quota limitations, expressed in percentages of the quantities imported in the corresponding quarters of 1931-32, are shown in the following tabulation:

*United Kingdom: Quota restrictions for lamb, mutton, and beef imports*¹

Commodity	1933				1934	
	January to March	April to June	July to September	October to December	January to March	April to June
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Frozen mutton and lamb.....	90	85	80	75	70	65
Frozen beef (carcasses and boned beef).....	90	85	80	75	70	65
Chilled beef.....	100	100	100	100	100	100

¹ Imports for corresponding period during the 12 months ending June 30, 1932, constitute the base.

While imports from Australia and New Zealand, the leading empire sources of supply, were not restricted, these countries voluntarily agreed to limit their exports of frozen mutton and lamb to the United Kingdom in 1933 to an amount equivalent to the total British imports from Australia and New Zealand, respectively, in 1931-32. The Australian Government also agreed to use its best endeavors to ensure that its exports of frozen beef to the United Kingdom in 1933 would not increase by more than 10 percent over the quantity exported to that market in 1931-32. A similar limit is also contemplated by New Zealand. It should be noted that Australia and New Zealand are under

no obligation to regulate their shipments after the year 1933. The agreements envisage a possible change in the method of import regulation in the light of experience and, in any event, before the end of June 1934. The policy of the British Government is to endeavor to arrange discussions during 1933 with all meat-supplying interests—home, dominion, and foreign for the purpose of working out a permanent plan for the organization of supply. Failing an agreement as to a permanent plan, the reductions imposed on imports from countries outside of the Empire are to continue for the remainder of the 5 years of the Ottawa agreements at the maximum rates in force in the second quarter of 1934, unless otherwise agreed between the governments concerned. After June 1934 the British Government will be free to regulate the imports of dominion meat, but it is provided that, in any scheme of regulation, the British Government will have regard to the policy of securing to the Dominions an expanding share of imports.

The bacon question was of importance throughout the Ottawa conference owing to the interest of Canada in pig production for the export market, and also to the minor interest of Australia and New Zealand in the export of frozen pork carcasses for curing in England. The situation, however, was governed by the domestic policy of the United Kingdom as declared in the terms of reference by the House of Commons early in 1932, regarding the setting up of a commission for the reorganization of the pig industry and the quantitative regulation of bacon imports. The report was presented to Parliament on October 13, 1932. (See the British Agricultural Marketing Act.) The agreements with Canada, Australia, and New Zealand provided in varying terms for the introduction of a system of quantitative regulation of bacon and ham imports as soon as possible after the report of the commission had been presented. In the Canadian agreement, the British Government specifically promised that, in any legislation that it might submit to Parliament for regulating the supplies of bacon and hams, provision would be made for free entry of Canadian hams and bacon of good quality up to a maximum of 280,000,000 pounds annually. It was emphasized, however, that the British Government was prepared to take whatever steps might be necessary to facilitate the establishment of a recognized bacon industry in Great Britain on a firm footing, to provide for its expansion within reasonable limits, and to regulate imports so far as might be requisite for the purpose.

The above arrangements for regulating British meat imports were not to come into effect until January 1, 1933. In the meanwhile, however, the wholesale prices of meat in the British market continued to decline. It was therefore decided to take immediate action to relieve the market. As a result of discussions between the United Kingdom on the one hand and the Dominion and foreign governments and representatives of shippers and importers on the other, the following voluntary arrangements were made: In regard to chilled beef, mutton, and lamb the South American shippers agreed to reduce their marketings of chilled beef in the United Kingdom by 10 percent, and, if necessary, by 20 percent during the months of November and December 1932. They also agreed to put into effect a cut of 20 percent in their marketings of mutton and lamb over the same period. These reductions applied to the quantities which they had arranged to supply before the agreement was reached. The Australian and New Zealand Governments also agreed without prejudice to their position under the Ottawa agreements, to reduce their shipments of mutton and lamb to the United Kingdom in November and December 1932; in their case, the reduction was 10 percent of their shipments in the corresponding months of 1931. No emergency reductions were arranged in the case of frozen beef. In regard to hams and bacon, a "gentlemen's" agreement was reached with foreign countries to the effect that shipments of foreign hams and bacon to the United Kingdom would be reduced effective November 22, 1932. The extent of the reduction was fixed in such a way that the total average monthly imports into the United Kingdom from foreign sources would be between 14 and 15 percent below the quantities imported from foreign sources in November and December 1931, and January 1932. In carrying out this program the British Government allotted imports among the supplying countries on the basis of their sendings in the 3-month period, August to October 1932 subject to agreed adjustments. The arrangements as to hams and bacon were of an emergency character and were made without prejudice to the permanent scheme that is to follow from the recommendations of the reorganization commission for pigs and pig products.

A third phase of the voluntary arrangements entered into with a view to relieving the market and save British producers from further losses, involved the agreement among importers to regulate deliveries of meat from cold stores in the United Kingdom in such a way as to assist in securing stability of prices at a sounder level. Moreover, on November 21, 1932, the bacon importers, wholesalers, retailers, and cooperative societies agreed to maintain an equitable distribution of supplies during the emergency period, and that no attempt would be made to take advantage of the temporary regulation of imports by substituting one method of purchase or one channel of supply for another. In particular, this agreement provided that f.o.b. purchases should be reduced in the same proportion as total imports. Finally, an order was made by the board of trade providing that, as from January 1, 1933, no foreign meat to which the Ottawa restrictions relate, shall be imported except by the holder of a license from the board.

While the agreements between the British Government and the seven Dominions, previously listed, provided for the imposition by the United Kingdom of new duties on a long list of staple agricultural commodities, including wheat, corn, rice, butter, cheese, eggs, condensed and powdered milk, apples, pears, bananas, citrus fruit, grapes, peaches, plums, dried and preserved fruits, honey, linseed, and certain vegetable oils, these new duties were primarily imposed to give an increased measure of protection to farmers in the Dominions rather than to those in the United Kingdom itself. In all of these cases imports from Empire sources of supply are permitted free entry. For that reason the discussion of that phase of the Ottawa conference is included under the various Dominions themselves, elsewhere in this report.

2. *Sanitary restrictions on imports.*—On many agricultural products there are sanitary restrictions or prohibitions tending to restrict imports into the United Kingdom. For example, in the interest of preventing outbreaks of foot-and-mouth disease, imports of live animals and of fresh meats from the continent of Europe have been prohibited for several years. Early in May 1932 the United States was removed from the list of countries to which the animal importations order of 1930 does not apply; so that the importation into the United Kingdom of cattle, sheep, goats, and other ruminating animals from the United States, as from the other countries, was no longer permitted. This embargo on live animals from the United States was removed later in 1932. Imports of potatoes from the United States, Canada, and France are prohibited on account of the Colorado potato beetle. On potatoes from other countries, seed onions, gooseberries, and tomatoes from France, on cherries from European countries, and on apples from the United States, there are seasonal or other restrictions on imports for sanitary purposes, but not complete and continuous prohibition. As regards apples from the United States the regulation specifies that in order to prevent the introduction of the apple fruit fly, the landing in England or Wales between July 7 and November 15 of apples grown in the United States is prohibited unless accompanied by a certificate of inspection certifying that the apples are "U.S. Fancy" or "U.S. No. 1", if barreled, and "Extra fancy" or "Fancy", if boxed. While such restrictions as the foregoing are not ostensibly for price-raising purposes, it is quite possible that some of them may have such an effect.

3. *Production bounty to the sugar-beet industry.*—By the sugar subsidy act of 1925 a Government subsidy was granted on "white" sugar produced from home-grown sugar beets. This subsidy was to be paid over a period of 10 years, beginning with the 1924-25 season. During the first 4 years of the act (i.e., 1924-25 to 1927-28) the Government subsidy was fixed at 19s. 6d. per hundredweight (\$4.24 per 100 pounds, at par) for sugar showing a polarization exceeding 98°. During the next 3 years (i.e., 1928-29 to 1930-31) the subsidy was fixed at 13s. per hundredweight (\$2.82 per 100 pounds), and for the last 3 years (i.e., 1931-32 to 1933-34), at 6s. 6d. per hundredweight (\$1.41 per 100 pounds). The actual amount of the subsidy paid manufacturers by the Government depends upon the polarization of the sugar produced. In other words, the subsidy decreases by stages in polarization, proportionately lower rates being paid until sugar with a polarization not exceeding 76° is reached.

In order to qualify for the receipt of the Government subsidy the beet sugar factories must maintain a minimum price of 44s. per long ton (\$9.56 per short ton) for beets of 15½ percent sugar content. In case the beets have a sugar content higher or lower than 15½ percent the price paid to the growers is in-

creased or decreased at the rate of 6 cents per ton for each one-tenth percent above or below 15½ percent as the case may be.

The subsidy has greatly stimulated the British sugar-beet industry. Although given directly to manufacturers of refined sugar it is passed on indirectly to the beet grower. Between 1924 and 1931 the number of sugar-beet growers increased from 4,039 to 40,415; the sugar-beet acreage from 22,637 to 348,920; the number of sugar-beet factories, from 3 to 18; and the output of sugar from 14,000 short tons in 1923 to 470,000 short tons in 1930. During the 1929-30 season the average price paid growers for beets was 52s. 11d. per long ton (\$11.40 per short ton) delivered, while in 1930-31 the average price was 49s. 10d. per long ton (\$10.80 per short ton), conversions made at par. During the 1931-32 season the average price paid per long ton of beets was 42s. 4d. (\$9.20 per short ton, at par).

4. *Bounty to wheat growers through minimum-price guaranty; the wheat act of 1932.*—On May 12, 1932, a unique system of price fixing for British wheat went into effect in the United Kingdom with the enactment of the so-called "wheat act of 1932." This act guarantees to producers or home-grown millable wheat a price of 10 shillings per hundredweight (about \$1.30 a bushel at par of exchange) and imposes on millers and importers of flour the obligation to make "quota payments" into a special fund for maintaining the price guaranty. It is intended to provide wheat growers in the United Kingdom with a secure market at an artificial price level without involving any subsidy from the exchequer and without encouraging the extension of wheat cultivation to land unsuitable for the crop. It provides, in effect, for a bounty to the producers at the ultimate expense of British consumers of flour. It differs from a tariff in the important fact that the tax is limited to the bare sum required to pay the bounty; whereas a tariff high enough to maintain the price guaranty would require a much heavier tax, most of the benefits of which would accrue to the exchequer in the form of customs revenues rather than to the growers of wheat. The system actually adopted is much the same as if a tariff were levied on imports of wheat and flour barely high enough to yield the revenue required for maintaining the price guaranty, and as if such revenue were diverted to that special purpose. But it is in fact wholly divorced from the customs system, and (theoretically at least), no funds should flow either into or out of the exchequer on account of it.

The system is more or less unique in other respects. Under it there is, technically speaking, no interference with the free importation of wheat into the United Kingdom⁸ and millers are not required to use a minimum percentage of home-grown wheat in manufacturing flour. They are left free to buy such wheats as they desire for the various brands and types of flour that they mill. Apart from the requirement to make "quota payments" into the price-guarantee fund, both the millers and the importers are free to carry on their business as previously, except for that clause of the bill which imposes upon flour millers an obligation to buy stocks of domestic millable wheat that may remain unsold during the month of June. A notable feature, also, is the limitation of the amount of wheat eligible for the price guarantee. The following paragraphs describe the more important features of the act.

The main objective of the law, as stated, is to guarantee that the domestic crop of millable wheat will find a market at the fixed price of 10 shillings per hundredweight (\$1.30 per bushel, at par). The amount of wheat to which the guaranteed price will be applicable is to be determined each year by the Ministry of Agriculture and Fisheries. As the law now stands this guaranty may not extend to more than 27,000,000 hundredweight (50,400,000 bushels). Wheat growers will continue to sell their wheat on a free market at whatever price it will bring. At the end of each cereal year (July 31), however, the wheat commission set-up under the act is authorized to give each wheat grower a so-called "deficiency payment" equal to the difference between the average price actually obtained by growers for the home-grown millable wheat sold that year and the guaranteed price, minus a small deduction for administrative expenses. These payments, to be known as "deficiency payments", are to be made from the fund provided by flour millers and importers, who will be obliged to pay into it a certain fixed sum in respect of each hundredweight of flour they deliver for consumption in the United Kingdom (see below). The price guaranty is to begin with the 1932 crop and is to remain in effect until

⁸ Under the Ottawa agreements, however, a duty of 2s. per quarter of 480 pounds (0.66 per bushel at par) was imposed on wheat from countries outside the Empire.

August 1, 1935. On or before March 1, 1935, the Minister of Agriculture is required to appoint a committee to report on the desirability of making any alteration in the fixed price. He may not alter the fixed price except upon the recommendation of this committee and with the approval of Parliament.

As already indicated, the amount of home-grown wheat eligible for the fixed price is not unlimited. The Minister of Agriculture and Fisheries is authorized to prescribe at the beginning of each crop year (Aug. 1), after consultation with the wheat commission, the quantity of home-grown millable wheat which he anticipates will be sold by registered growers during that year. This supply will represent the total amount of wheat to which the guaranteed price will be applicable, as long as it does not exceed 27,000,000 hundredweight (50,400,000 bushels). The provision of the law limiting the applicability of the guaranteed price to a maximum of 27,000,000 hundredweight (50,400,000 bushels) in any one cereal year is designed to check the extension of wheat growing to land unsuitable for the crop. It is estimated by the British Ministry of Agriculture and Fisheries that the total area of good wheat land in the United Kingdom is 1,500,000 acres from which a yield of 50,400,000 bushels of millable wheat may be expected to be available for sale (i.e., not including unmillable wheat or wheat retained for seed). The limitation of the price guaranty to 27,000,000 hundredweight (50,400,000 bushels) does not mean that no more than that quantity of wheat may be grown in the United Kingdom. On the contrary growers may produce as much wheat as they desire. The price guaranty, however, will not apply to quantities sold in excess of that limit, even though the "anticipated supply" for that year may be considerably greater than 27,000,000 hundredweight (50,400,000 bushels).

The law very definitely stipulates that if in any cereal year the quantity of home-grown millable wheat sold by registered growers exceeds the anticipated supply of such wheat for that year (i.e., the supply of millable wheat which the Minister of Agriculture and Fisheries anticipates will be sold by registered growers during that cereal year), each registered grower shall be entitled to receive deficiency payments for that year in respect only of that number of hundredweight which bears to the number of hundredweight of such wheat of his own growing actually sold by him in that year the same proportion as the said anticipated supply bears to the total quantity of home-grown millable wheat of their own growing sold by all registered growers in that year.

The matter will be made clearer by a concrete illustration. The Ministry of Agriculture and Fisheries announced in Order No. 469, dated June 16, 1932, that the anticipated supply of home-grown, millable wheat during the cereal year beginning August 1, 1932, is 19,800,000 hundredweight (39,960,066 bushels). This represents the quantity to which the guaranteed price will be applicable during the 1932-33 cereal year. Suppose, now, that the total quantity of home-grown millable wheat actually sold in that year should amount to 22,000,000 hundredweight (41,066,740 bushels). On how many hundredweight would the individual grower be entitled to receive deficiency payments? Under the law he could receive payments only on such a quantity as bears to the quantity actually sold by him the same proportion as the anticipated supply bears to the total quantity sold by all growers. On the foregoing assumption as to total sales of home-grown millable wheat, he would be entitled to a deficiency payment on 90 percent of his total sales of millable wheat. Thus the greater the actual total sales of millable wheat in excess of the anticipated supply eligible for the fixed price, the less will be the average amount of the deficiency payment received by the grower per hundredweight of wheat sold by him.

Next, as to the manner in which the funds required for maintaining the price guaranty are derived. As already noted, millers and importers of flour are required to make payments into a common fund for this purpose. These so-called "quota payments" are to be an amount on each hundredweight (112 pounds) of flour delivered for domestic consumption which represents as nearly as possible "a sum equal to what would have been the price deficit in respect of the quota of home-grown millable wheat used in the production of that hundredweight, if the anticipated supply of such wheat for the cereal year in which that hundredweight was delivered had been used at a uniform rate per hundredweight of flour in the production of the estimated supply of flour for that year." The factors to be used in calculating the actual amount of the quota payment are as follows: (a) The anticipated supply of domestic-grown millable wheat to be sold during the crop year; (b) the estimated price deficit (i.e., the amount

of the spread between the guaranteed price and the price actually received by growers) during that crop year; and (c) the estimated supply of flour for that year (i.e., that part of the output of millers and importers of flour which will in that year be delivered and retained for consumption or use in the United Kingdom). The law then stipulates that the actual amount of the quota payment shall be that amount "which bears to the estimated price deficit the same proportion as that which the number of hundredweights in the anticipated supply of home-grown millable wheat for that year bears to the number of hundredweights in the estimated supply of flour for that year."

The meaning of the foregoing provisions can best be understood in the light of their actual application at the outset of the 1932-33 crop year. An order by the Minister of Agriculture and Fisheries, dated June 16, 1932, fixed the quota payment for the period June 19, 1932, to July 31, 1933, at 10.8 pence per hundredweight (19.5 cents per 100 pounds, at par). How was this arrived at? In accordance with the provisions of the wheat act the Minister of Agriculture and Fisheries estimated that the average price that would be obtainable for home-grown millable wheat during the cereal year ending July 31, 1933, would be 5s. 9d. per hundredweight (\$0.749 per bushel at par). Since the fixed price for this wheat is 10s. per hundredweight (\$1.30 per bushel) it follows that the anticipated price deficit for the year is 4s. 3d. per hundredweight (\$0.554 per bushel). In an earlier order, no. 469, of June 16, 1932, the Minister of Agriculture and Fisheries had announced that the quantity of home-grown millable wheat (i.e., the supply that would be eligible for the price guaranty) which he anticipated would be sold by registered growers during the cereal year beginning August 1, 1932, had been placed at 19,800,000 hundredweights (36,960,066 bushels). In further accordance with the provisions of the wheat act, the Minister estimated that the supply of flour to be delivered for consumption in the United Kingdom for the period beginning June 16, 1932, and ending July 31, 1933, would be 93,500,000 hundredweights (10,472,000,000 pounds). Substituting now the actual figures called for in the last sentence (quoted) in the preceding paragraph (converted to United States values and measures), the amount of the quota payment per 100 pounds of flour being x , the formula is as follows:

$$x : \$0.554 = 36,960,066 \text{ (bushels)} : 104,720,000 \text{ (100-pound units)}$$

Solved: $x = 19.5$ cents per 100 pounds of flour delivered, which is the amount of the quota payment set by the administrative order.

Another feature of the wheat act is the provision that if any stocks of home-grown millable wheat remain unsold in June of any crop year, the Minister of Agriculture and Fisheries may order the Flour Millers' Corporation set up by this act to purchase such stocks. This regulation, however, is subject to a provision limiting its operation to not more than 12½ percent of the anticipated supply of home-grown millable wheat for that year; except that in this connection the 27,000,000 hundredweights (50,400,000 bushels) set by the act as the maximum amount eligible for the price guaranty (explained above), does not apply. As regards the price at which these compulsory purchases shall be made, the law specified that it may not exceed the guaranteed price and shall be as nearly as possible the price which would, in the area to which the order relates and at the date on which the order comes into force, be obtained by a willing seller from a willing buyer for millable home-grown wheat of fair average quality.

Two organizations have been set up under the act, the wheat commission and the Flour Millers' Corporation. The members of both organizations are appointed by the Minister of Agriculture and Fisheries. The wheat commission consists of a chairman and a vice chairman and 17 other members. Of the 17 other members, 5 represent the interests of growers of home-grown millable wheat; 3, the interests of flour millers; 1, the interests of flour importers; 3, the interests of dealers in home-grown millable wheat; and 5, the interest of consumers of flour, of whom at least 1 represents the interests of bread bakers. The wheat commission is charged with the entire administration of the wheat act under the general supervision of the Ministry of Agriculture and Fisheries.

The Flour Millers' Corporation consists of a chairman and four other members appointed by the Ministry of Agriculture and Fisheries. This corporation is authorized to register all flour millers who make application for that purpose. As far as can be determined the chief functions of the corporation will be to facilitate the discharge of the compulsory purchase obligations previously referred to and to collect the quota fund from millers and flour importers. The

wheat act does not specifically lay down the functions of this corporation, but it provides that as soon as practicable after the commencement of the act the corporation shall submit to the Ministry of Agriculture and Fisheries a draft of a scheme providing for its functions and for the election of the members of the corporation by the millers.

5. *The British Agricultural Marketing Act.*—This act, passed by the British Labor Government in 1931, aims to bring the marketing of domestic agricultural products in Great Britain under social control. It does not, however, directly create any organization or make any regulations for the control of agricultural marketing. It is what is known as “an enabling measure.” It legalizes certain forms of procedure by which the producers of any agricultural commodity may, under government supervision, set up an organization of their own with authority to control the marketing of that commodity. Such an organization may either have sole power of purchasing the commodity from producers or make regulations affecting its sale by producers. Before the organization can begin to operate, however, producers must have voted in its favor by a two-thirds majority.

A few weeks after the act was passed a new Government came into office, dominated mainly by the Conservative Party which had sharply criticized the act. The new government has, however, decided to make some use of the powers granted under the act, and is giving assistance both to milk producers and hog producers in preparing plans for marketing organizations. Farmers also are availing themselves of the opportunities afforded by the act, and preparations are now under way for the marketing of hops in England and raspberries in Scotland. The proposed hops organization has already received the approval of the Government.

The act provides that a group of producers may submit to the Government a scheme for the marketing of their product, and that if the scheme is approved by the Government there shall be a vote of the producers to decide upon the adoption of the scheme. Such schemes must, according to the act, provide for the organization of a board, the members of which shall be elected by the producers, and which will have power either to purchase the whole production or to regulate its sale. Such a board may be given complete monopoly powers in regard to the marketing of the commodity concerned. It may fix prices and determine the amount of the commodity which may be sold for various purposes.

Since the boards are to be elected by the producers, and will presumably act in the interests of producers as far as they are able, it is clear that safeguards are necessary to protect the interests of consumers. The act provides for this in various ways. It makes the approval of the Government necessary before any scheme is to come into effect. It authorizes the Government to appoint a consumers’ committee which may make complaints on any action taken by a board under the act; the Government may revoke any marketing scheme if it sees fit to do so after considering a complaint made by the consumers’ committee. The Government is further directed to appoint arbitrators to settle any dispute arising between one or more individual producers and a marketing board. Both the provisions and the operation of all marketing schemes are therefore subject to close observation in the interests of the public and of the individual, backed by the Government’s power of veto.

Since the procedures by which a scheme may become operative are fairly complicated, the general features of the marketing schemes contemplated in the act will be dealt with first, and the method of putting them into effect, together with the provisions for protecting the public interest, will be described later.

(a) *Nature of marketing schemes authorized by the act.*—Such schemes are intended to be, broadly speaking, for two main purposes; one is improvement in the methods of marketing, such as the grading and packing of the products; the other is surplus control. Collection of statistical data, education in cooperative marketing and research are also included.

All the activities directed toward these ends are to be performed by the board set up under each marketing scheme. As regards the constitution of the boards the act lays down only a few general principles, allowing the details to be worked out by the producers of each commodity in consultation with the Government.

The members of the board are to be elected by the “registered” producers, the method of election to be specified in the scheme. A registered producer is

anyone who has applied for registration by the board, it being the duty of the board to register anyone who so applies. After the scheme has come into operation only registered producers are allowed to sell the commodity in question, subject to such exceptions as may be made in the scheme. Since any producer may become a registered producer, it is clear that the board can have no direct power to limit the number of persons selling the commodity in question; there is nothing in the act, however, to prevent it from granting certain producers special privileges such as voting powers or marketing privileges based on past production. The rights of individual producers are, however, protected by the provision in the act which directs the Minister of Agriculture to appoint arbitrators to settle any dispute between an individual producer and the board.

A person not registered as a producer cannot be prevented from producing the commodity in question, but merely from selling it. Moreover, the act specifies that each scheme must provide for the exemption of certain classes of producers from registration. This is presumably intended to apply to those, for instance, who sell directly to consumers or retailers, and whose produce does not move into wholesale trade. But while the act states that some exemptions must be made, it does not lay down any details.

There are two types of board which may be set up by a marketing scheme under the act. There is first the trading board, which would handle the commodity in question; it would have sole power to purchase from producers, and would have power to perform the various functions pertaining to marketing such as transporting, storing, insuring, and also to process food products. It could, for instance, own and operate a meat-packing plant.

The other type of board would merely regulate the marketing of the commodity without actually handling it. Such a board could, however, have power to regulate not merely the method of marketing, but also the quantities to be sold by producers, and the prices paid to them. The expenses of such a board would be met out of a levy on every unit of the product sold by producers.

(b) *Procedure for bringing marketing schemes into operation.*—In the origination of schemes, as well as in their operation, the initiative is to come from the producers. There are, broadly speaking, two stages in the adoption of schemes. In the first the scheme is submitted by a group of producers to the Minister of Agriculture, who must consider complaints and may offer amendments; if and when the Minister and those who have submitted the scheme agree on its provisions, it is submitted to Parliament for approval. The second stage begins after the scheme has become legalized by the approval of Parliament; in this stage the scheme is submitted to the producers for ratification by vote, and if the vote is favorable, the scheme finally comes into operation.

Since, however, the preparation of schemes would in many cases be a difficult and costly task, requiring a considerable amount of technical work, the act permits the Minister of Agriculture to appoint agricultural-marketing reorganization commissions, which are to help producers in the preparation of schemes. The submission of a scheme to the Minister, however, rests entirely with the producers. A reorganization commission may also recommend changes in an existing scheme.

When a scheme has been submitted to the Minister the latter will ascertain whether the persons who have submitted it are "substantially representative" of the producers of the commodity. If he is satisfied that they are, he must publish a notice of the submission of the scheme so as to give opportunity to all interested parties to object to its provisions. In determining whether the persons submitting the scheme are "substantially representative" of producers, the Minister of Agriculture is left to exercise his own discretion; the only limitation which the act places upon his discretion is that it directs him to take into consideration not only the number of producers represented but also the output of such producers in a recent period. And if he subsequently recommends the scheme to Parliament, he must make a report as to the evidence on which he has decided that the scheme has been submitted by a representative group of persons.

After notice of submission has been given, a period of at least 6 weeks must be fixed during which interested parties may make objection. If there are any objections which cannot be disposed of by informal discussion between the objectors and the Minister, the latter must arrange for a public inquiry conducted at the public expense. This inquiry must be held in accordance with regula-

tions made by the Minister and laid before Parliament, which may veto them. The Minister need not, however, arrange for a public inquiry to deal with an objection which he considers frivolous.

When the Minister has given consideration to such objections and reports of public inquiries as may have been made, he may propose a modification of the scheme to the persons who have submitted it. Each scheme must nominate a group of persons to consider such modifications. Unless a majority of the nominees agreed to the modification the Minister can take no further action, and the scheme, therefore, lapses.

If, however, agreement is reached and if the Minister is satisfied that the scheme will lead to greater efficiency in the production and marketing of the commodity, he is to submit it to Parliament. If a resolution approving the scheme is passed by both Houses of Parliament, the Minister is directed to issue a formal order declaring that the scheme will come into force on a specified date. The act lays down that such an order shall be conclusive evidence that the scheme is "within the powers conferred by this act." This means, according to a report on the act published by the Ministry of Agriculture, that the validity of the scheme cannot be questioned by the law courts. It is felt that the safeguards which the act provides against the misuse of the powers which it confers are sufficient, and that (in the words of the above-mentioned report) "it would be impracticable to set up a board with extensive powers of holding property, incurring liabilities and, perhaps, of trading, if the courts would hold at any time that the scheme and, indeed, the very existence of the board had been a nullity from the start."

Upon the issuance of the Minister's order the scheme acquires legal validity, but it does not come into full operation until it has been submitted to a vote of the registered producers. The act lays down that a two thirds majority of those voting shall be necessary to secure an affirmative result; this majority to be in terms both of the number and the productive capacity of those voting. The scheme is to specify the method of conducting the vote and of determining productive capacity for voting purposes.

Furthermore, if it is proved to the satisfaction of the Minister that less than half the total number of producers of the commodity have voted, the Minister is required to revoke the scheme. The scheme must provide for an interval of not less than 1 or more than 2 months during which any person may prove that less than half the producers have voted.

Before the members of a board can be elected by producers, a list of those entitled to vote will have to be prepared and other preparations made by the board itself. In order to make this possible each scheme must name the members of the board who will hold office until the new board is elected.

(c) *Financial assistance by the Government.*—The initial organization of the board, the preparation of a list of registered producers, and the vote on whether the scheme is to be put into effect will require expenditure on the part of the board before it can obtain any revenue from its marketing operations. In order to cover such expenditures the Government is authorized to make loans to boards without interest. Repayment is to be made from the operating revenue of the board. If, however, the result of the producer's vote does not allow the scheme to come into operation, the loan need not (and obviously could not) be repaid.

Long-term loans may be made in order to provide a board with any fixed capital which it may need. The amount authorized for this purpose, however, is small, being only £150,000 (\$730,000), and it is expected that boards will be mainly self-supporting financially, obtaining their capital by private loans and contributions levied from producers.

(d) *Public safeguards.*—Since the most important interest needing to be protected under the act is that of the consumers, the act directs the Minister of Agriculture to appoint a consumers' committee, one member of which is to represent the consumers' cooperative movement. This committee is to report on (1) the effect of any scheme in force on consumers of the regulated product, and (2) any complaints made to the committee as to the effect of the scheme on producers. These reports will be considered by the committee of investigation, which the Minister is also directed to appoint. This committee will also consider complaints from other interests as the Minister directs, and report to the Minister.

The Minister may, after considering a report from the committee of investigation, or on his own initiative, take action to protect the public interest by issuing an order (1) amending the scheme; (2) revoking the scheme; or (3) directing a board to rectify any matter on which complaint has been made. In each case the Minister's order must be ratified by Parliament.

(c) *Progress made thus far under the act.*—In accordance with the provisions of the agricultural marketing act schemes have either been prepared or are in the process of preparation for the marketing of hops grown in England; for the marketing of raspberries grown in Scotland; for the marketing of milk in Scotland; for the marketing of fat stock (cattle and sheep) in Scotland; for the marketing of milk in England and Wales; for the marketing of hogs and pork products produced in England and Scotland; for the marketing of fat stock in England and Wales; and for the marketing of eggs and poultry, applicable to England. Thus far the only schemes that have become operative are those for the marketing of raspberries in Scotland and for marketing hops in England. The scheme of greatest significance to American farmers is the one proposed by the Reorganization Commission for Pigs and Pig Products on October 19, 1932. While this plan has not yet gone into effect, the proposals are so far reaching that it is deemed advisable to give a brief summary of the same at this point.

The reorganization commission above referred to was set up on April 21, 1932, under the terms of the agricultural marketing act, by joint order of the British Minister of Agriculture and the Secretary of State for Scotland. It was charged with the duty of preparing a scheme, to be applicable in England and Scotland, for regulating the production and marketing of pigs and pig products. In the words of the commission the main problem facing the pig industry in the United Kingdom is "the prevailing low level of prices", and "the severity of competition from foreign sources of supply." A study of the difficulties arising from the pig price and feeding-stuff price cycles lead the commission to conclude (1) that the total United Kingdom supplies of ham and bacon should be stabilized, and (2), that, as far as possible, United Kingdom bacon and ham prices should vary with feeding-stuff prices. Pointing out that expansion of the home-pig industry must take the form of increased ham and bacon production, as the capacity of the fresh-pork market is limited, the commission recommended that the pork-pig and bacon-pig markets should be segregated as far as possible. The commission therefore confined its recommendations to bacon and hams, indicating that fresh pork already enjoys a protected market in England on account of the embargo placed, for sanitary reasons, on fresh pork and live hogs from foreign countries in 1926. But while making no proposals for regulating the production of fresh pork in the near future, the commission anticipated that such regulation would ultimately be found desirable.

In order to stabilize pig prices in relation to feeding costs and to bring about a steady expansion in the domestic ham and bacon industry the commission recommended (1) that the volume of total ham and bacon supplies (home production and imports) coming on the British market should be regulated by a system of quotas; (2) that bacon-type pigs should be sold only on the basis of annual contracts at a national price closely related to feeding costs; and (3) that measures be adopted to increase the general efficiency of pig and bacon production and marketing, and to remedy some of the weaknesses of the pig and pig-products industry as a whole. A brief summarization of the details under each of these recommendations will suffice to indicate the scope of these proposals.

In regard to quotas, the commission recommended that they should be applied both to home-produced and to imported hams and bacon in such a way as to insure price stability to pig producers. According to the plan, a quota advisory committee would determine the total United Kingdom requirements of hams and bacon for each calendar year. This committee would then make allotment of hams and bacon quotas for the year to Great Britain, Northern Ireland, and to each exporting country (foreign and Empire), with the right, however, to order subsequent adjustments if required in the public interest. Each country's allotment is to be reconsidered annually. The domestic quota for each 12-month period is to be determined mainly on the number of hogs the domestic producers contract to deliver. Provision is made for expansion in domestic production,

but the rate of increase is to be regulated. It is also provided that whenever increases are ordered in the United Kingdom quotas that of foreign exporting countries should be reduced. In regard to the Dominions, however, it is specifically provided that any increase in their quotas should be at the expense of foreign quotas.

The "contract" system proposed by the commission provides for the sale of bacon pigs on the basis of annual contracts between feeders and curers. To use the commission's own words, "if total supply is to be stabilized, and if regulation is to be applied to imports, some steps must also be taken to stabilize the home supply, and to insure that it will be forthcoming." It was, therefore, recommended that the home quota (above referred to) should be based upon, and should not exceed, the amount of hams and bacon represented by pig contracts in the hands of the curers at the beginning of each quota period. In other words, farmers would be required to enter contracts with curers for the delivery of pigs for ham and bacon production. These contracts will serve as a basis for determining the quota to be allotted to domestic ham and bacon producers for the year. Provisions are also made for the regulation of deliveries with a view to insuring orderly marketing. Finally, the commission recommended that the basic contract price of pigs should be such as to cover cost of production and that it should vary with feeding costs. To this basic price is to be added whatever additional sum, representing the feeder's profit, may be agreed upon by negotiation. Adjustments in this basic price may be made for pigs which are above or below a specified standard in quality and weight. The contracts, in other words, are to specify the standard grades and weights for bacon pigs, and they are to discriminate in price against carcasses of indifferent quality and unsuitable weight. The theory is that payment on the basis of quality will automatically bring about standardization in pig production.

The recommendations of the commission under the heading of "efficiency" provide for changes in production methods. No more than brief reference to these recommendations can be made at this time. They include the standardization of pig production through payment for quality already referred to; eradication of scrub boars; reduction of losses from disease; educational campaigns to increase the general efficiency of pig production; the establishment of pure-bred breeders and litter-testing stations; changes in marketing methods; suggestions for the orderly assembly and transport of contract pigs; rationalization of the bacon- and ham-curing industry; standardization of hams and bacon under a system of national marks; efficient utilization of pig offals; and the establishment of a market intelligence service.

It should be added that the Pig Reorganization Commission was authorized to make recommendations beyond the scope of the agricultural marketing act concerning restrictions on imports of pig products. The recommendations for such restrictions, in the form of import quotas, are one of the most important features of the proposed scheme.

URUGUAY

Agricultural price-supporting and relief measures in Uruguay include governmental purchase of wheat at a fixed price, governmental operation of a meat-packing plant, exemptions from fees on the part of Government-operated port facilities, tariff duties on agricultural imports, and reductions or exemptions in the revenue export duties levied on agricultural products. Uruguay is primarily a grazing country, most of her income being derived from her pastoral industry. About 85 percent of her exports are animal products, including beef and mutton (frozen, chilled, and canned), wool, and hides and skins. Another 10 percent of her exports includes wheat, wheat flour, linseed, corn, feedstuffs, and other agricultural products. On the other hand, only about one sixth of her imports are agricultural, the chief article being sugar, with potatoes, olive oil, and yerba maté following.

1. *Government intervention and price-fixing in the wheat industry.*—Since August 1929 the Uruguayan Government has several times come to the assistance of the wheat farmers by direct purchases of wheat. The most recent instance was in December 1931, when the Administrative Council once more authorized the purchase of wheat directly from the individual farmer. Under the

authority of a law enacted in February 1930, the council ordered the purchase of 10,000 metric tons (about 367,000 bushels) of wheat from the new harvest at a price of 5 pesos per hundred kilos (62 cents a bushel, based on exchange as of December 1931, when the peso was worth 44.55 cents), with the stipulation that no more than 367 bushels should be purchased from each farmer. The purpose of this action was to protect the farmers against the decline in price which usually follows the first heavy shipments to market and to assure them of an immediate cash return for at least a part of their crop.

(a) *Earlier legislation; the Act of 1929.*—An earlier measure had been of a somewhat different nature. A law of August 6, 1929, authorized the National Administrative Council to purchase up to 30,000 tons of wheat of the then current crop at a price of 4.5 pesos per 100 kilos (\$1.21 a bushel based on exchange as of August 1929, when the peso was worth 98.57 cents), provided that the wheat was of export type, having a minimum test weight of 78 kilos per hectoliter (60.6 pounds per bushel), and was destined for exportation or for sale to mills. The Government was not to export wheat purchased under this law until after the end of the year 1929. Growers who had sold their wheat prior to July 1, 1929, were given a bounty to compensate them for having received less than the stipulated 4.5 pesos (\$1.21 a bushel). The law did not definitely fix the amount of their compensation, but provided that this should be determined by the size of the grower's 1928-29 wheat crop. Six tenths of a peso per 100 kilos (16 cents a bushel at exchange as of August 1929) would be paid if the crop were less than 10,000 kilos; 0.50 peso (13 cents a bushel) if between 10,000 and 20,000 kilos; 0.40 peso (11 cents a bushel) if between 20,000 and 30,000 kilos; or 0.30 peso (8 cents a bushel) if between 30,000 and 40,000 kilos. Provision was subsequently made for the larger producers, a bounty of 0.20 peso per 100 kilos (5.4 cents a bushel) being provided when the production of the seller exceeded 40,000 kilos (1,470 bushels). In order to collect their bounties growers had to submit reliable evidence to the effect that they had sold all or part of their crop before July 1, 1929. For the payment of the bounties the Bank of the Republic designated various local rural societies or commissions to prepare lists of eligible growers in their given zones. Then the bank delivered the necessary money to the local society, which in turn made the disbursements to the grower.

(b) *The Wheat Purchase Act of 1930.*—Within the ensuing year this temporary measure was replaced by a permanent one which was still in effect in 1933. On February 7, 1930, the National Congress of Uruguay passed the wheat purchase act authorizing the National Administrative Council to purchase directly from the farmers the surplus wheat intended either for export or for domestic mill consumption. This authority was made valid for a period of 5 years. For the crop years 1929-30 a price of 5 pesos per 100 kilos (\$1.21 a bushel, converted to United States currency as of February 1930, when the peso was worth 88.97 cents) at the seaboard was fixed for wheat of export type having a test weight of 78 kilos per hectoliter (60.6 pounds per bushel), with inland prices adjusted to this basis. Purchase prices in the future were to be fixed by the Congress each year with the assistance of a cost-finding committee.

The actual purchase and sale of wheat under the law of 1930 was intrusted to the Official Seeds Commission. Farmers desiring to sell wheat to the state must make offers to the commission, or to the Departmental Councils of Administration or the Auxiliary Councils, which in turn transmit the offers to the commission in the same order as received. The official seeds commission must likewise give consideration to the offers in the same order as they are received. The national administrative council may set a limit to the amount of wheat purchases authorized, as it did in December 1931. When the authorized quota of purchases has been exhausted, farmers' offers of wheat can no longer be accepted, but such offers must be given prior consideration by the commission during the next crop year. Payment for the wheat is made through the regional branches of the Bank of the Republic.

The wheat purchase act also provided for the payment of bounties on export flour amounting to at least half a peso per kilo (40 cents a barrel at exchange as of February 1930) when the flour was ground from legal price wheat. If the international price of wheat (Buenos Aires market quotations) was less than the Uruguayan legal price, the national administrative council would grant an additional bounty representing the difference between this minimum price and the

international quotation. A supplementary decree issued in March 1930 by the council limited the amount of export flour on which bounties would be paid to 25,000 tons annually.

In order to prevent the inflow of wheat from the lower-priced world markets import restrictions were set up. On January 24, 1931, the National Administrative Council issued a decree prohibiting the importation of foreign wheat so long as the price of native wheat in domestic markets was below the Uruguayan fixed price.

Included in the wheat purchase act of 1930 was another measure for aiding agriculture, one designed to reduce the cost of growing wheat and other farm products rather than to increase prices received by the farmer. This authorized the National Administrative Council to deliver to the Institute of Industrial Chemistry a maximum of 50,000 pesos (\$44,485 at exchange as of February 1930) to reduce the price of superphosphates by 10 pesos (\$8.90) a ton.

2. *Aid to farmers by Government enterprises.*—Uruguay has nationalized several of her industries. Such enterprises include meat packing, insurance, the operation of railways, electric power facilities and port services, and the manufacture of chemicals and industrial alcohol. Some of these have a direct bearing on the interests of the farmers.

At the close of 1931 the Government was operating a national meat-packing plant, and, according to reports, was paying slightly higher prices for cattle than the American "frigorificos", which handle a major portion of the trade. Pending the construction of its own plant, the Government rented private facilities having a capacity of 1,500 cattle and 5,000 sheep per 8-hour day. Operations, begun in July 1929, were at first restricted to the slaughter of cattle and sheep for home consumption, but toward the end of 1929 were extended to include the export of chilled meat. The plant is operated by the Board of the National Frigorifico, which is an autonomous body, collecting its own revenues, controlling its own expenditures, and taking whatever steps of expansion or retrenchment it deems wise. The members are appointed for 4-year terms by the elective National Administrative Council and are responsible only to the Council. The board members and employess share in the profits according to their rank and length of service.

The Government of Uruguay also operates the port services, as well as some 600 miles of secondary rail lines. Ever since October 1928 cereals and cereal byproducts exported from Uruguay have been exempt from slingage fees and cranage charges. Wheat, oats, barley, rye, corn, canary seed, and rapeseed have benefited by this exemption.

Indirect aid tending to stabilize agricultural prices is furnished by the National Insurance Bank, which is said to be the oldest and most profitable State monopoly of Uruguay. During 1931 it was reported that \$500,000 was distributed among holders of frost-insurance policies after a late cold wave. This action was credited with having averted economic failure for scores of farmers.

3. *Tariffs.*—Uruguay imposes high rates of duty on the importation of a wide variety of agricultural commodities. However, the duties on the most important products of Uruguay are more or less nominal so far as any price-raising effect is concerned, inasmuch as these products are on a net export basis. Among the relatively few agricultural products of Uruguayan growth for which the tariff is of importance may be mentioned potatoes, yerba maté, olive oil, wheat, apples, oranges, and some other fruits. The duties on some of these products include seasonal imports for the purpose of affording additional protection to producers during their marketing season. A decree of October 22, 1931, placed an additional duty of 50 cents a hundred pounds on potatoes to apply during the Uruguayan crop season. A similar seasonal import tax was made applicable to fresh fruits by the same decree, a surtax of 40 percent of the official valuation of plums, peaches, pears, and grapes being levied during their respective marketing seasons. Rates of duty in effect early in 1933 are given in the following table:

Uruguay: Current import duties on certain agricultural products (March 1933)

Product	Import duty	Official valuation for ad valorem purposes	Duty and surtaxes in United States currency ¹
	<i>Pesos per kilo</i>	<i>Pesos per kilo</i>	<i>Per 100 pounds</i>
Potatoes.....	² ³ 0.0386	0.06	\$1.29
Olive oil.....	² 10	.30	3.90
Yerba maté:			
From any country, gross weight.....	.04	.10	1.48
In leaves without any preparation, gross weight.....	.01	.06	.50
Wheat.....	² 0.135	(⁴)	1.37
Wheat flour.....	² 0.384	.08	1.36
Apples.....	⁵ 148	.20	4.06
Oranges.....	⁵ 084	.10	2.31
Plums, peaches, and pears:			
Seasonal ⁶	⁷ 148	.20	4.06
Regular.....	⁷ 068	.20	1.87
Grapes:			
Seasonal ⁶	⁷ 168	.20	4.62
Regular.....	⁷ 068	.20	1.87

Compiled from data furnished by the Division of Foreign Tariffs, United States Department of Commerce.

¹ Duties are collected one fourth in gold, which increases the duty according to the exchange value of the Uruguayan peso. At present this increase is about 28 percent. Conversion to United States currency made on the basis of average exchange for March 1933, 1 peso=47.33 cents.

² In addition to the duty, a surtax of 14 percent of the official valuation is imposed.

³ Comprising an ad valorem duty of 31 percent of the fixed valuation, plus a seasonal duty of 0.20 peso per 10 kilos.

⁴ There is a surtax of 14 percent ad valorem on the c.i.f. value of wheat. Import of wheat prohibited conditionally.

⁵ Comprising ad valorem duty of 20 percent of the official valuation, regular surtaxes of 14 percent and extra import tax of 40 percent on apples and 50 percent on oranges, collected throughout the year.

⁶ Seasonal duties collected as follows: Plums, Nov. 17, 1932, to May 1, 1933; peaches, Nov. 17, 1932, to May 15, 1933; pears, Nov. 17, 1932, to July 1, 1933; and grapes, Jan. 1 to May 1, 1933.

⁷ Comprising an ad valorem duty of 20 percent ad valorem of the official valuation plus regular surtax of 14 percent and extra import tax of 40 percent on plums, peaches, and pears, and 50 percent on grapes, collected during certain seasons. At other times these extra import taxes are not imposed.

These high rates are the culmination of earlier increases in the import tariff of Uruguay. On August 1, 1931, legislation complementary to the extension of the 1930 budget authorized the President to apply after 2 months' notice, import duties of 48 percent plus surtaxes of 14 percent to all importations when it was shown that similar articles were produced in Uruguay. In the interim until such increases could become effective the Government passed an emergency measure prohibiting for 1 month the importation of a wide range of products, among which were meats, milk products and vegetables. When the month ended, the import prohibitions were replaced by increased import duties on the same products, the increases amounting to one half the existing duties and surtaxes. A decree effective November 15 specified the goods on which the 48 percent duty would apply, including certain foodstuffs. On October 10, 1931, another law became effective providing for the collection, in gold, of 25 percent of the import duties on most products, in order to offset the effect of the depreciating peso. At the rates of exchange which were current at the close of 1931, this requirement was equivalent to an increase of almost one third in the rates of duty.

In connection with the tariff it must also be noted that both high duties and import prohibitions have been resorted to as part of the plan to bolster the price of wheat, as discussed above.

4. *Exemption of specified products from export duties.*—One source of revenue in Uruguay is the export duty. The export duty imposed on Uruguayan washed wool is 4 percent of an official valuation fixed every 3 months. During the period November 1, 1931 to January 31, 1932, this levy amounted to about 0.8 cent a pound at par, or on the basis of recent exchange value of the peso, about a third of a cent a pound. On October 22, 1931, the Uruguayan wool market was relieved of this burden on price by the reenactment of a law of 1923 under which 1,000,000 kilos (2.2 million pounds) of washed wool annually was exempt from the export duty. The new law increased the amount exempted to 2,000,000 kilos (4.4 million pounds) annually until December 24, 1930. Earlier legislation dated December 1929 had provided that cereals and cereal byproducts

being exported should be exempt from all imposts, taxes, customs duties, and export patents. On September 12, 1930, a resolution of the national administrative council of Uruguay provided that canary seed, rapeseed, oats, barley, rye, and corn should be included under this legislation.

YUGOSLAVIA

Yugoslavia offers one of the best illustrations of thorough-going experimentation in the realm of governmental price bolstering as applied to an export crop. The state wheat (and rye) monopoly, which is exercised through the agency of the Privileged Export Co., maintained until very recently practically complete control over the marketing of wheat and rye. Other important phases of the Government policy in aid of agriculture include monopolistic control, dating from 1880, over the whole tobacco industry from production to merchandizing; restriction of imports by means of the tariff and other devices; and negotiation of commercial treaties for securing trade and tariff preferences for agricultural exports. Other price-supporting measures of lesser importance have included the establishment of price-stabilization machinery which may be utilized for any agricultural product, machinery for controlling the exportation of livestock and livestock products, and reduced freight charges on grain moving to export. Agriculture is by far the most important industry of the country. The principal crops are wheat and corn, and the principal agricultural area is that of Voivodina, which produces mostly wheat and corn. Other important products of Yugoslavia are grapes, hemp, potatoes, livestock, and livestock products. The most important agricultural exports are wheat, corn, livestock, eggs, and meat; and the only agricultural product imported in considerable quantity is cotton.

1. *Monopolistic control of the wheat (and rye) trade by the Government.*—During the crop years 1930–31 and 1931–32, the Yugoslav Government actively intervened to secure prices above world parity for the wheat growers. From partial control over the wheat trade inaugurated in May 1930, Government intervention evolved into complete monopolistic control lasting from June 27, 1931, to March 31, 1932, after which date it reverted to partial control. From the end of June to September 5, 1931, a specially created Government agency known as the “Privileged Export Co.” made unlimited purchases of wheat at high prices, but did not have a complete selling monopoly. From September 5 to October 29, 1931, it was given a complete monopoly of the sale of wheat in Yugoslavia and from September to October 29, 1931, it actually maintained this monopoly. But from October 29 to March 31, 1932, while it continued to pay fixed prices to the growers and to set a monopoly price for all wheat sold, the Privileged Co. applied a somewhat more flexible system of selling whereby the actual marketing of the grain was in the main left to private agencies.

During the period of Government monopoly from June 1931 to March 1932 the Government controlled both internal and external trade, fixed the prices paid to the growers much higher than world market prices, and sold wheat to the domestic mills at prices fixed at a point intended to be high enough to compensate for any loss suffered on such portion of the crop as was exported and for the artificially bolstered prices to the growers. But even the complete monopolistic control proved unsuccessful, the Government agency finding it almost impossible to dispose of its high-cost purchases of wheat at prices high enough to cover the original disbursements. At the close of the 1931–32 crop year a new law went into effect abolishing the Government monopoly in internal trade of cereals, but retaining for the Government the monopoly in the external (export and import) trade in wheat, rye, and wheat flour, and imposing a tax on milling to cover the losses sustained therein. In 1933 the situation was similar to that of 1930–31, the Government agency lifting the exportable surplus from the domestic market and dumping it abroad, with the difference that a special tax was provided as a source of revenue to make up for the losses incurred in the export market.

(a) *Control of the export surplus, 1930–31.*—The development of the present system of control goes back to the formation of the Privileged Export Co. on May 15, 1930, with a capital of about a quarter of a million dollars, 90 percent of which was subscribed by the Government. (See section below on machinery for stabilization of agricultural prices.) This concern was empowered to purchase directly from the producer “in extraordinary cases and when directed by national economic interests” in order to maintain domestic prices. During the 1930–31 crop year the Government authorized the Privileged

Export Co. to buy up all the domestic wheat offered to it, at prices materially above the world price level. The Privileged Co. thus secured a corner on the Yugoslav crop. By the end of 1930 practically all of the country's surplus of wheat had been exported by the Privileged Co. The losses sustained on these export transactions were covered by the Government in a special appropriation. Prices within the country during the remainder of the 1930-31 season were maintained by raising the import duty on wheat and flour to a prohibitive level.

(b) *Complete monopolistic control of internal and external trade, 1931-32.*—The success of the Privileged Export Co. during the 1930-31 season in maintaining prices to domestic producers materially above the world market level led the Government in 1931 to establish a Government Monopoly for the import and export of wheat, rye, and wheat flour. A law enacted on June 27, 1931, gave the State the exclusive right to import and export wheat, rye, and wheat flour, thus taking the foreign trade in these items completely out of the hands of private dealers. The same act also authorized the Minister of Commerce and Industries to formulate such other regulations as might be necessary for the successful execution of the intent and purpose of the law, and in July he issued a decree prohibiting any person or organization except agencies of the State from purchasing wheat in the Voivodina. This large district in northeastern Yugoslavia not only produces the best quality wheat grown in the country but also the bulk of the commercial crop. Thus, ostensibly at least, the Government obtained in addition to its monopoly of the foreign trade, a monopoly of the bulk of the commercial wheat crop of the country.

At the beginning of the 1931-32 season the Government announced to farmers that the Privileged Export Co. would purchase all of the native wheat of the 1931 crop offered to it at prices materially above prevailing market prices. These prices were fixed at from 160 to 175 dinars per quintal (77 to 84 cents per bushel), depending upon grade and type. The willingness with which farmers availed themselves of these prices is evidenced by the fact that deliveries to the cooperatives and warehouses for resale to the Government amounted to over 20,000,000 bushels by September 1. Only a little over a fourth of this amount was exported by the Government up to September 1. The remaining portion was still being held by the cooperatives and merchants for delivery to the Privileged Co. as soon as a market could be found for it at prices which would not incur too heavy a loss to the Government. Of that portion of the crop exported by the Government up to September 1 only about two thirds was actually sold, the remainder having been shipped abroad on consignment.

The Government estimated at the time domestic prices were fixed that the probable losses on the quantities of wheat exported would average around 70 dinars per quintal (34 cents a bushel). Because of the very low prices prevailing in the export market during July and August, however, the losses on the quantities actually sold abroad up to September 1 averaged around 110 dinars per quintal (53 cents a bushel). Meanwhile the expectations of the Government with reference to profits on sales of Voivodina wheat to the domestic mills were not being realized. The Government had hoped to recoup a considerable part of the anticipated losses on sales in the export market by the profit made on these internal sales. The quality of the wheat produced outside the Voivodina in 1931, however, was much better than normal, so that the mills were able to secure fairly good wheat at prices materially lower than the Government price for the Voivodina product. As a result, the Government was forced to export at a heavy loss a larger portion of the Voivodina crop than it had expected. In these circumstances the Government found it necessary to take additional steps to minimize its losses. Accordingly, a decree was issued on September 5, 1931, providing that thereafter the Privileged Co. alone should have the legal right to sell wheat to the mills. This decree constituted the third and final step in giving the Government a complete monopoly of the entire wheat crop of the country.

The following details concerning the operations of the monopoly regime at its peak indicate forcefully the extent of the monopolistic powers with which the Government had endowed itself. In the first place, all prices paid to the farmers for wheat of merchantable quality ranged from 160 to 175 dinars per quintal (77 to 84 cents a bushel), varying in accordance with the type and quality of the product. Proportionately higher prices were to be paid on wheat delivered later in the season, such prices being based on the original fixed prices plus carrying charges. This was done in order to encourage merchants and cooperatives to carry wheat through the season instead of making all de-

liveries to the Privileged Co. immediately after harvest. In actual practice most of the purchases by the Privileged Co. were made from cooperative societies and merchants to which a commission of 5 dinars per quintal (2.4 cents per bushel) above the fixed prices was paid by the company. When buying direct from farmers the Privileged Export Co. paid only the fixed prices, but when buying from the cooperative and the merchants it paid the fixed price plus an additional 5 dinars per quintal (2.4 cents per bushel).

The new regulations required that all of the wheat offered to the Privileged Export Co. by producers or by cooperatives and merchants must be of the 1931 harvest. It must be clean, free from disease or parasites, and must not be mouldy or smutty, thus making it of sufficiently high quality to be readily marketable. It must also be delivered into railway cars or barges and must meet specified requirements as to weight per bushel. If the wheat delivered to the cooperatives and the merchants by the farmers was lighter than the prescribed hectoliter weight, or if it had more than the prescribed amount of foreign matter, the buyers were authorized in paying for the wheat to deduct from the quantity delivered 1 kilogram (2.2 pounds) per 100 kilograms (220 pounds) for every degree that the wheat fell below the specified hectoliter weight or for each additional percent of foreign matter above the specified amount. This threw the burden of delivering merchantable wheat on the producers. If a farmer's wheat did not conform to the Government standards of quality, it could be accepted by the cooperatives or merchants in their warehouses at a price equal to the fixed price less the standard reductions above mentioned and less the expense of reconditioning. The Privileged Co. itself was not to accept wheat that did not conform to the Government's standards of quality.

The price of the wheat which the Privileged Co. sold to the mills was considerably higher than the prices paid to the producer, as is indicated in the two tables which follow. Moreover, the prices to the millers were to be increased from month to month throughout the season. This would force millers to take up the current supply of wheat held by the Government in order to avoid paying higher prices as the season advanced. The profit thus made by the Government was to be used to offset the losses on the portion of the crops sold in the export market.

Yugoslavia: Fixed prices paid for wheat to producers by cooperatives or merchants buying for resale to the Privileged Co., Sept. 5, 1931, to Mar. 31, 1932

Trade name or area in which the wheat is produced ¹	Hecto- liter weight	Foreign matter	Price per quintal	Weight per bushel	Price per bushel
	<i>Kilograms</i>	<i>Percent</i>	<i>Dinars</i>	<i>Pounds</i>	
For wheat loaded into barges:					
Tisza I. (Backo Gradiste).....	80	1	175	62	\$0.87
Tisza II. (Zabalj-Titel).....	80	1	173	62	.86
Begej.....	80	2	172	62	.85
Banat.....	79	2	170	61	.83
Backa.....	79	2	169	61	.82
Tisza Canal wheat up to Kula.....	80	2	172	62	.85
Danube Canal wheat up to Cavenka.....	79	2	168	61	.82
Serbian Danube.....	77	3	165	60	.79
Srem.....	78	2	165	61	.80
Serbia-Sava, Bosnia-Sava.....	77	3	164	60	.78
Canal King Alexander I, from Lali Stapar to Novi.....	79	2	166	61	.81
Baranja.....	79	2	169	61	.82
For wheat loaded in railway cars:					
Upper Backa.....	80	1	170	62	.84
Somber and Lower Backa.....	79	2	165	61	.80
Banat.....	79	2	165	61	.80
Main line Serbia to Cuyrija.....	77	3	160	60	.77
Main line from Paracin on south.....	77	3	160	60	.77
Kumanovo.....	77	3	160	60	.77
Kosovo.....	75	4	160	58	.74
Srem, Slavonia and Crostia.....	78	2	160	61	.78
On all unmentioned railway stations of Bosna and Serbia.....	77	3	160	60	.77
Baranja.....	79	2	165	61	.80
Slovenia, Medjumurje, Prekomurje.....	77	2	160	60	.77
Bosna.....	77	3	160	60	.77
Serbia, local railways.....	77	3	160	60	.77
Slavonia, private railways.....	78	2	160	61	.78

¹ In Yugoslavia, wheat is sold under trade names derived from the names of producing areas. These indicate roughly the type and quality of wheat sold.

Yugoslavia: Price per bushel to millers for the three most important grades of wheat sold by the Government monopoly, September to December 1931

Trade name or origin	Use	Month of delivery			
		September	October	November	December
		<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Tisza I.-----	Mixing with soft wheat-----	115.0	119.7	124.5	129.3
Backa-----	Gives a good bread without being mixed (can also be used for mixing with soft wheat).	109.2	114.0	118.8	123.6
Srem-Serbia----	Soft wheat; must be mixed with hard--	105.4	110.2	115.0	119.7

The increase in wheat prices to mills was in turn reflected in higher bread prices, and in order to ensure that the prices of bread would be in proportion with the prices of wheat a Government regulation was put into force by the Ministry of Commerce and Industry on September 11, 1931, which fixed the price of white bread at 3.19 cents per pound and the price of dark bread at 2 cents per pound. These prices were about 0.4 cent higher than those which had prevailed before the monopoly control was established.

The monopolistic position of the Government was reenforced by provisions of the law requiring all mills to submit records to the Privileged Co. showing their daily milling activities and the prices at which they sold flour for domestic consumption. If mills or flour merchants sold flour at prices which were not in accord with the prices fixed for domestic wheat, the Minister of Commerce and Industry was authorized to fix standard prices for flour sold within the country. Furthermore, the Government imposed regulations with respect to the type of wheat which might be milled in a particular region. Commercial mills situated in the Voivodina, for example, could not grind Banat and Backa (Voivodina) wheat in excess of 40 percent of their total grindings. The remaining 60 percent had to consist of wheat produced in other regions of the country. Commercial mills in other regions of the country could not grind Banat and Backa wheat in excess of 25 percent of their total grinding. The remaining 75 percent had to be wheat from regions other than Banat and Backa. These latter regulations were designed to bring about a general improvement in the quality of the flour and to make its price somewhat more uniform. Thus the mills which previously had ground only the low-grade wheat produced in their immediate vicinity were compelled to secure a part of their grinding requirements from districts producing the better grades of wheat.

But the complete monopolistic control with its ever-increasing complications was doomed to a brief existence. On October 29, 1931, the Privileged Export Co., which, it will be recalled, is the agency through which all Government operations in the grain trade are carried out, relinquished some of its control over the domestic trade to the normal private agencies of commerce. Under date of October 29, 1931, the company issued instructions regarding the sale of wheat in Yugoslavia, delegating some of its legal authority to merchants and cooperatives. They also could deliver wheat directly to the mills and other consumers within the country. But when they did so they were permitted to receive no more than 160 to 180 dinars per quintal (77 to 87 cents a bushel), notwithstanding the fact that the Privileged Export Co. received from 225 to 250 dinars per quintal (\$1.08 to \$1.20 a bushel). The difference between the lower and the higher set of prices, amounting to about 30 cents a bushel, was to be paid by the mill directly to the Privileged Export Co. It soon transpired that in taking this step the Company had relinquished control over the domestic trade in wheat. The sales by the Company fell off sharply, as was to be expected with the inauguration of the more liberal policy; but on the other hand there was no corresponding increase in the reports of sales made by merchants and cooperatives. It was said that sales by private agencies to mills did in fact increase but that these sales were not reported to the Government. Irregular practices in making sales appeared in the grain trade whereby payment of the levy to the Government was avoided. As a result of the whole-sale evasion of its instructions, the Government agency found itself unable to

dispose of the large stocks of wheat which it had purchased from the farmers at high fixed prices, and hence subject to heavy financial burden.⁹

In an effort to regain complete monopoly control over sales for internal consumption, the Company once more changed its internal sales policy. After February 7, 1932, a mill wishing to buy a quantity of wheat had first to pay the full price of 225 to 250 dinars per quintal to the Privileged Export Co. The Company would then notify a near-by cooperative or merchant to deliver the desired quantity. Following delivery to the mill, the Company would pay the merchant or cooperative the legal purchase price of 160 to 170 dinars per quintal for the quantity delivered.

(c) *Reversion to control of exportable surplus, 1932-33.*—But the more stringent control over the wheat trade failed to materialize. Owing to the difficulty encountered in disposing of its supplies, the Government agency had to postpone the acceptance of deliveries of the wheat offered to it at the high legal prices. Finally, on March 31, 1932, the Government Monopoly over the internal trade in cereals was definitely abolished by a new law published on that date. But the new law still retained for the Government the exclusive right to export and import wheat, rye, and wheat flour. The new policy thus resembled that of the crop year 1930-31, with the Government agency lifting the surplus grain from the domestic market and dumping it abroad for whatever it would bring, the losses being sustained by the national treasury. However, the new legislation also provided a source of revenue in the form of a tax on commercial milling. Flour mills (with certain exceptions) must pay special taxes according to capacity up to a maximum of 300 dinars per ton (14.5 cents a bushel).¹⁰ Another modification, apparently of minor importance, in the methods of sale by the Privileged Export Co. was that the actual exportation of wheat was to be carried out by private merchants under the supervision of the Company instead of by the Company itself.

In addition to these more permanent features, the law of March 1932 included provisions for closing the books, so to speak, on the transactions for the crop year 1931-32. Until July 1, 1932, the Privileged Export Co., acting for the Government, took over all unsold wheat of the 1931 crop, paying a fixed price of 160 dinars per quintal (77 cents a bushel) therefor, at least 50 percent of the payment being in cash and the remainder in the form of taxation bonds to be redeemed by the end of 1932 at the latest. Sales transactions concluded prior to March 31 but not in fact completed by actual delivery were canceled, the Privileged Export Co. being directed to pay only the fixed price of 160 dinars per quintal (77 cents a bushel).

2. *Tobacco monopoly.*—Both the growing of tobacco and the manufacture of tobacco products in Yugoslavia are supervised and controlled by a State Monopoly Committee. Production is controlled to a considerable extent by the allotment of acreage. The grower must obtain written permission to raise tobacco and may sow tobacco only on the piece of ground prescribed and in so many plants as he is allowed. If the grower plants fewer seedlings than he has been authorized to and is unable to justify his shortage, he is penalized and loses the right to grow tobacco during the ensuing year. Sowing must be completed by the 20th of June. The whole of the crop must be delivered to the Monopoly Committee, growers who fail to do so being liable to punishment under the tobacco smuggling law.

When receiving their allotments, the growers obligate themselves to range, dry, and bind in bunches the healthy selected tobacco leaves, and to grade them by quality and color, sorting out the green, moldy, or damaged leaves to be bound separately. Payment is made according to a tobacco price list, ungraded tobacco being set at the lowest price. The Monopoly Committee exports leaf tobacco, besides manufacturing a good deal into products for home consumption. The tobacco monopoly is an important source of revenue for the state.

In February 1932 the State Monopoly Committee issued regulations for the coming tobacco season. Plantings, prices, and terms of payment were included in the announcement. The number of tobacco seedlings to be set out during

⁹ It was reported in December 1932 that the amount of financial assistance extended by the State to the Company for its wheat operations totaled 281,000,000 dinars (almost \$5,000,000 at par). The Government also modified the law governing the Privileged Agrarian Bank, authorizing the latter to extend credit to the Privileged Export Co.

¹⁰ Later information discloses that in September 1932 the tax on mills was augmented by 3.8 cents per bushel of wheat ground.

1932 was fixed at a total of 1,735,600,000, to be divided among six tobacco-producing regions, as follows (in millions of plants): Vardar, 1,235; Moravia, 157; Danube, 105; Drina, 20; Sea Coast, 180; and Zeta, 38.6. Applications for planting had to be in by February 29. Six grades of tobacco were set up for price-fixing purposes, being designated as Extra, Category I, Category II, Category III, and Category IV. Each grade except the first, Extra, is numerously subdivided into classes. The price fixed for Extra tobacco is 140 dinars per kilogram (\$1.12 a pound). Prices in other categories range from 85 dinars per kilogram (68 cents a pound) for class I tobacco of Category I downward to 3 dinars per kilogram (2.4 cents a pound) for the lowest class of Category IV. The same announcement also carried the statement that loans without interest would be advanced against the expected sales by growers; such loans constitute part payment in advance, inasmuch as their amount is automatically deducted from the amount paid to the grower when he sells the tobacco to the Monopoly.

3. *Tariff and other restrictions of imports.*—Since a great deal of Yugoslavia's agriculture is devoted to the production of commodities that must be exported to find a market, import restrictions can be of but little assistance to the farmer in the way of price maintenance. For example, the duties on wheat, apples, and sugar cited below are largely nominal because these products are on an export basis. As compared with the drastic control inherent in the Government monopoly of wheat and rye, the duties on these grains are relatively unimportant as a means of restricting imports.

When in 1925 the commercial policy of Yugoslavia crystallized into definite form, the tariff emerged as definitely protective in height, with protection accorded particularly to the nonagricultural industries. The following examples of duties in effect as of January 1932 afford some idea of the height of the tariff as applied to agricultural products, although the duties mostly are nominal. On wheat the duty charged amounted to 53 cents a bushel; on apples in crates, boxes, and barrels about 3 cents a pound, in bulk, 1.2 cents a pound (converted at par of exchange) plus a turnover tax of 2 percent of the duty-paid value; on rice, cleaned, 62 cents a 100 pounds, uncleaned, 26 cents a 100 pounds, plus a turnover tax of 3.3 percent, and on partly cleaned and uncleaned rice when imported for further working 18 cents a 100 pounds; on sugar (refined) \$1.81 a 100 pounds net weight when in barrels and \$2.08 when in bags, plus a consumption tax of \$5.52 a 100 pounds and a turnover tax of 5.5 percent of the duty paid value. On flour of cereals other than rice a duty of 13 cents a 100 pounds was imposed (6.4 cents until June 1932), but this duty was of much less importance than the monopoly control of the Privileged Export Co. Similarly, leaf tobacco nominally is free of import duty, but at the same time is subject to a monopoly tax of \$562 a 100 pounds (net weight).

Late in 1931 the Minister of Finance was empowered to make any changes that he might wish to in tariff rates, subject to legislative approval. According to a law published and effective November 28, 1931, the Minister of Finance is authorized, in case the best interests of the country require such action, and in agreement with the President of the Council of Ministers, to increase, reduce, or abolish the import or export duties on whatever articles he may designate. However, the new schedules must be presented immediately to the Parliament for its approval if that body is in session. If it is not in session, such schedules must be presented to it within 15 days from the commencement of the next session.

Although primarily concerned with safeguarding the health of agricultural plant and animal life, sanitary restrictions on imports may also have an economic effect. For this reason brief mention is here made of a recent modification of the sanitary regulations governing the inspection of imported fruits, plants, and fruit trees. A decree of December 24, 1931, provided that all pears and apples imported into Yugoslavia shall be inspected at the time of importation into Yugoslavia, even if accompanied by certificates of health.

4. *Preferential treaties.*—Yugoslavia, in common with the other Danubian countries, has been endeavoring to aid the marketing of her products in foreign countries (particularly cereals) through the medium of preferential trade agreements granting lower duties or special import quotas. She has participated in the conferences of 1930–32 representing the joint efforts of Danubian countries in this connection (see ch. VII above for a summary of the Danubian conferences of 1930–32). Early in 1932 it was reported that the Government grain marketing organizations of Yugoslavia had entered into

an agreement with the corresponding organizations of Rumania and Bulgaria whereby each was to keep the others informed daily of its sales prices so that they might be able to maintain a common price level. Moreover, in furtherance of the preferential idea, Yugoslavia has in recent months negotiated individually with Czechoslovakia, Austria, and France for tariff and trade concessions.

On March 30, 1931, a commercial treaty was signed by Czechoslovakia and Yugoslavia, supplementary to one already in force since 1928. The supplement provided for reciprocal duty concessions. Those granted by Czechoslovakia to Yugoslavia were mostly in the form of reduced rates on agricultural products, including fresh and dried fruits, livestock, certain wines and brandy, and sausage casings.

In July 1931 a new commercial treaty between Austria and Yugoslavia became provisionally effective. Although many duties were increased over those of the old treaty, new concessions also were included. Yugoslavia was to receive an exclusive preferential rate on wheat imported into Austria, subject to the approval of countries having most-favored-nation agreements with the latter. Under this preference, Yugoslav wheat entering Austria was to pay duty at a rate of 3.2 crowns per 100 kilos (17.5 cents per bushel) lower than the duty in force at any time, this reduction being limited to an annual quota of 50,000 tons (1,837,000 bushels). With the Austrian duty on wheat at 10 gold crowns per 100 kilos (54.7 cents a bushel) this meant a rate of 6.8 crowns per 100 kilos (37.2 cents a bushel) on Yugoslav wheat. Yugoslavia also obtained reduced duties, which were to apply to other nations as well, on annual quotas of 10,000 head of cattle, 21,000 hogs, 3,000 tons of pork, and 280 tons of beef. The treaty was to be ratified before the end of 1931 and was to remain in effect until the end of June 1932.

Up to the time of this treaty, Austrian import duties on hogs had been identical for all countries. In the new treaty preference was granted in an indirect manner to imports of hogs from Yugoslavia by specifying special rates for hogs of the Mangalica breed, which are raised practically in Yugoslavia only, although to a minor extent in Hungary. Mangalica hogs were made duty free, whereas the duty on hogs was 45 gold crowns per 100 kilos on ex-contingent hogs and 18 on contingent hogs (\$4.10 and \$1.64 per 100 pounds, respectively). Mangalica pork was made subject to a duty of 12 gold crowns per 100 kilos (\$1.09 per 100 pounds) within a quota of 1500 tons (3,307,000 pounds) a year whereas the normal duty was 26 gold crowns on contingent pork and 70 on ex-contingent pork (\$2.70 and \$6.38 per 100 pounds, respectively). However, certain Austrian import restrictions remained in force on Yugoslav hogs and Yugoslavia reserved the right to denounce the treaty at an earlier date if negotiations regarding them did not result in a satisfactory change.

On March 9, 1932, some minor changes were made in the treaty; on March 15 it was signed and again put into effect provisionally. The exclusive preference granted to Yugoslav wheat was retained, as was also the proviso that Yugoslavia could denounce the treaty if negotiations regarding the importation into Austria of Yugoslav hogs and pork did not reach a satisfactory conclusion, this time within 2 months. The regular duty on wheat was now set at 11 gold crowns per 100 kilos (60.2 cents a bushel); the rate assessed on Yugoslav wheat amounted to 7.8 gold crowns (42.7 cents a bushel). The treaty was to remain in force until June 30, 1932, as originally agreed.

On November 7, 1931, Yugoslavia and France signed an agreement according to each other preferential treatment of important products. The agreement, which was concluded for a period of 3 years, came into force on the date of its publication in the Yugoslav Official Journal on May 7, 1932. From the standpoint of Yugoslavia the chief advantage gained was what amounts to a reduction of the French minimum duty on wheat up to 30 percent of that duty to be applied to a quantity up to 10 percent of the total French imports for any given crop year. This concession is the same as that granted on May 22 by France to Rumania. (Concerning further details, see Rumania.)

5. *Other price-bolstering measures.*—Among the less important measures that the Yugoslav Government has taken in aid of agricultural prices may be listed the establishment of machinery for controlling the exportation of livestock and livestock products and machinery for the stabilization of agricultural prices in general, and the reduction of freight charges on cereals moving to export points.

(a) *Machinery for controlling the exportation of livestock and livestock products.*—On December 22, 1931, a law governing the organization and control of

the exports of livestock, meat products, and animal products to countries that restrict imports from Yugoslavia to definite quotas became effective. It authorized the Minister of Commerce and Industry to issue control measures for the export of cattle, horses, hogs, sheep, goats, poultry, eggs, milk, and their products. Export quotas and the distribution of exportation within the quotas are covered in these measures. A special board, representative of the interested ministries, economic organizations, associations, and companies, is appointed by the Minister of Commerce and Industry. Parties desirous of exporting livestock, etc., within the quotas set up must register with the Ministry of Commerce.

(b) *Machinery for stabilization of agricultural prices.*—On May 12, 1930, the Privileged Export Co., referred to above in connection with grain, was formed with a capital of about a quarter of a million dollars. Ninety percent of the capital was subscribed by the Government through the Ministry of Commerce and Industry, and 5 percent each by the exporters and the agricultural associations. The main function of the company was to be that of selling agent for the small concerns dealing in agricultural products and at a disadvantage when operating in world markets. However, it was also empowered to purchase directly from the producer "in extraordinary cases and when directed by national economic interests" in order to maintain domestic prices. The application of this provision to wheat and rye has already been discussed. It only remains to point out that further stabilization purchases of other commodities are also possible under the existing Yugoslav statutes.

(c) *Advantageous railroad and waterway transportation charges.*—In connection with wheat, rye, corn, and barley coming from surplus producing districts, exports through ports are allowed a reduction of about half a cent a bushel. Exports across frontiers or through ports are allowed a 10-percent reduction if they originate from stations located 221 kilometers from the boundary. Reductions are graduated up to 45 percent at a distance of 500 kilometers. Rates on wheat bran and dried meat also are subject to reductions. The tariffs of the Government River Transport were diminished by 25 percent.



